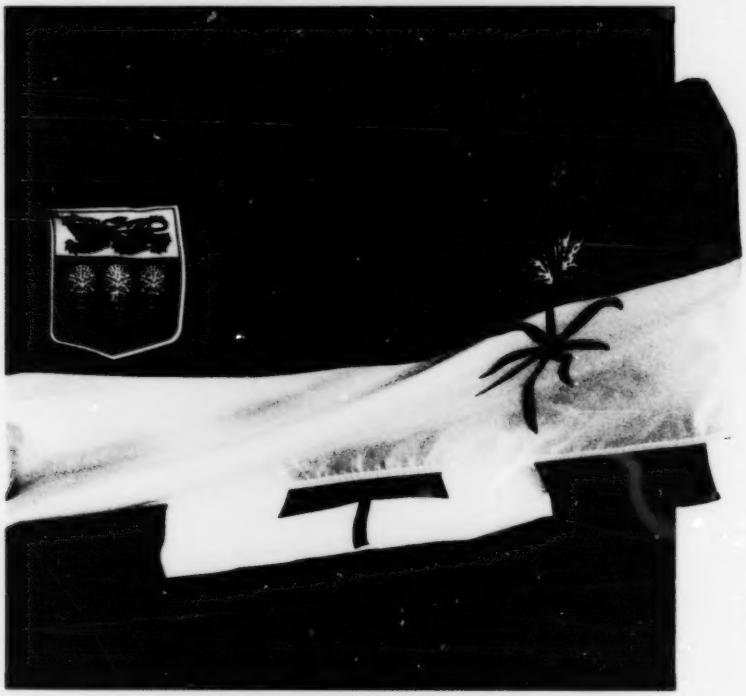
CANADA - U.S. FREE TRADE AGREEMENT



WHAT IT MEANS FOR SASKATCHEWAN

88-03416/

Premier's Message

Canadians, and particularly the people of Saskatchewan, trade for a living and we do it well. Canada is a resource rich and growing middle economic power in the world. We are a member of the seven-nation Economic Summit. However, being a middle power, Canada needs fair, predictable and enforceable rules in order to retain its rightful share of world trade. That is why Canada has consistently played an instrumental role in establishing and improving world trade rules through the General Agreement on Tariffs and Trade (GATT). At the same time, we have, for decades, sought to liberalize our trading relationship with our biggest trading partner, the United States.

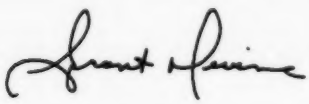
The Canada-U.S. Free Trade Agreement, signed on January 2, 1988, is a good agreement. It holds benefits for both countries and establishes fair, predictable and enforceable rules to govern our commercial relationship. These rules were jointly designed and cannot be changed unilaterally. The Agreement not only builds on the progress we have already achieved internationally through the GATT but sets a fine example for our other trading partners of what can be achieved in the future.

The Agreement is good for Canada and it is good for our province. It protects our current markets for exports to the United States and provides a strong and stable environment for investing and creating jobs in new industries in Saskatchewan. With this Agreement, the options for diversifying our economy are increased many fold.

The Agreement does not affect Canadian policies and institutions in the social, cultural and regional development areas. Canadians are proud of what we have achieved in these areas as, in fact, our approach to such issues is uniquely Canadian.

By setting a fair and stable environment for our trade with the U.S., this Agreement gives the people of Saskatchewan the opportunity to compete on an equal basis with their American neighbours. The people of Saskatchewan can now work to realize the growing opportunities available to them and their children.

I am confident that, with our skills, energy and innovation, the people of Saskatchewan will achieve the full potential that this Agreement provides.



Honourable Grant Devine
Premier of Saskatchewan

Minister's Message

At several times in our history, Canada has negotiated a free trade agreement with the United States. Each time we as a nation decided against implementing what we had negotiated primarily because of the impact free trade would have on our manufacturing industries which were protected by fairly high tariffs. This issue has been the focus of an emotional as well as economic debate throughout our history. Western Canada, though, has historically been supportive of a national policy of tariff removal.

In May, 1986, the Government of Canada and the United States initiated negotiations toward a free trade agreement. Early in the negotiations, the Government of Saskatchewan consulted with representatives of all our industries as well as consumer groups, labour unions and interested individuals. We listened to what the people of Saskatchewan wanted in an agreement and what they did not want in an agreement. Based on what the people told us, we pushed hard to achieve Saskatchewan's objectives.

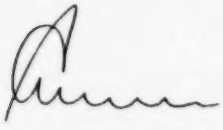
When the Elements of the Agreement were reached on October 4, 1987, we reported back to those industry, labour and consumer groups. This second round of consultations confirmed the government's conclusion that the Agreement held significant benefits for the people and economy of Saskatchewan. We had achieved most of our objectives.

The Agreement is a good deal for all regions of Canada. In Saskatchewan, our oil and gas, livestock and meat processing and uranium industries are major winners. Our potash, steel, forestry products and advanced technology sectors will also see significant gains. Our poultry, egg and dairy sectors are unaffected, as are our breweries. As consumers, we all gain.

The Canada-U.S. Free Trade Agreement: What it Means for Saskatchewan is a factual and comprehensive report which describes how we arrived at Saskatchewan's negotiating objectives; the extent to which the Agreement achieves our objectives and how its provisions affect our industries and the provincial economy as a whole.

This is a historic agreement which represents a real and substantial improvement over the status quo. Simply put, it removes barriers to trade and establishes the rules to govern Canada's commercial relations with our largest trading partner. It is particularly beneficial to Saskatchewan as an exporting province. It will not only open markets for our traditional exports but will encourage the further growth and diversification of our provincial economy.

It is my hope that this Agreement represents the beginning of a new era of trade liberalization. Through good-will and tough but fair negotiations, Canada and the U.S. have shown that two quite different sovereign countries can remove barriers on the international trade of goods and services. This Agreement should form the model for the removal of barriers to trade internationally in the GATT negotiations.



Honourable Bob Andrew
Minister of Trade
and Investment

Table of Contents

Page

Executive Summary 1
Introduction 4

Part I

Tariff Removal 11
Investment 14
Bilateral Trade Rules and Dispute Settlement 14
Impacts on the Canadian and Saskatchewan Economies 16
Increased Employment 18
Issues and Policy Areas Unaffected by the Agreement 19

Part II

Sectoral Analysis 21

A. Grains and Oilseeds 21
B. Livestock 22
C. Poultry and Eggs 23
D. Dairy 24
E. Forestry and Wood Products 24
F. Potash 25
G. Uranium 26
H. Oil and Gas and Related Industries 27
I. Advanced Technology 29
J. Steel 29
K. Agricultural Implements 30
L. Grain Product Processors 31
M. Oilseed Crushing 32
N. Other Manufacturing 33
O. Services 33
P. Financial Services 35
Q. Labour 36
R. Cultural Industries 37
S. Consumer and Women's Groups 37

Conclusion 38

Appendix I - Glossary of Trade Related Terms 40
Appendix II - Saskatchewan Public Consultations, August, 1986 46
Appendix III - Sectoral Free Trade Consultations, Fall, 1987 48
Appendix IV - Town Hall Meetings 49

To obtain additional copies contact:
Saskatchewan Department of Trade and Investment
3rd Floor, 2103-11th Avenue
Regina, Saskatchewan
S4P 3V7
(306) 787-2232

For further information, contact:
Trade Negotiations Secretariat
(306) 787-8903

Executive Summary

Canada is a trading nation. More than any other industrialized nation except West Germany, Canada is dependent on trade as an engine of growth and job creation. Trade is therefore a very important contributor to Canadians' standard of living.

This is even more true for the province of Saskatchewan. We normally export about 35 per cent of the value of all goods and services we produce. Access to foreign markets is critical for Saskatchewan producers. It is also critical for Saskatchewan workers, since one in four jobs in the province depends directly on the vitality of the export sector.

Current trends in the global trading environment are making access to international markets increasingly more difficult for Canada and Saskatchewan. World trade is now characterized by increasing competition in manufactured goods and stable or declining demand for primary goods.

At the same time that markets have become more competitive, export prices for basic commodities such as Saskatchewan's grain, potash, oil and uranium have tended to fall. Producers have had to try to export more volume at these lower prices in order to survive, but market competition has been fierce and global surpluses, often caused by subsidized production by our competitors, have driven prices even lower.

Access to markets has been made even more difficult by increasing protectionism, as countries like the U.S. and others attempt to shield their own economies from the dislocation caused by the above trends in world trade.

The world trading climate today is therefore difficult, changing and unpredictable for trade-dependent countries or provinces like Canada and Saskatchewan. Small trading countries like Canada rely on fair and predictable rules in order to retain their rightful share of world trade. Because we are not an economic superpower and yet rely heavily on international trade for our economic prosperity, Canada has consistently pursued a policy of liberalizing trade rules since the end of World War II. An instrumental founding member of the GATT, Canada is now actively engaged in the latest round of international GATT negotiations (the Uruguay Round) where 95 countries are trying to achieve further improvements in global trade liberalization and, for the first time, rules governing trade in services and agriculture.

Despite the benefits of global negotiations under GATT, it is difficult and time-consuming to achieve agreement on rules amongst 95 countries, each with their own unique set of interests. Given the critical importance of the U.S. market to Canadian exporters (75 per cent of total exports in 1986) and the alarming growth in U.S. protectionism, Canada adopted a complementary second track towards bilateral trade liberalization with the U.S.. Dealing solely with the U.S., significant improvements in rules governing bilateral trade could be achieved more quickly. However, the agreement reached would have to be of mutual benefit, fully consistent with the rules of GATT and, hopefully, serve as a model for progress at the multilateral negotiations.

The U.S. is also the destination of approximately 40 per cent of all Saskatchewan exports. For certain sectors of the Saskatchewan economy, namely oil and gas, potash, uranium, livestock/meats and forest products, the U.S. is the major export market. These are also sectors in which U.S. protectionism was growing and against which indiscriminate and punitive U.S. trade actions were being taken. The Saskatchewan Government decided to act by participating in the Canada-U.S. free trade negotiations, which commenced in May, 1986.

At the outset of the negotiations, Saskatchewan established its initial objectives for a Canada-U.S. Free Trade Agreement (the Agreement). These objectives were confirmed through consultations with industry and interest groups during the summer of 1986. During the eighteen months of negotiations that followed, Saskatchewan pursued all of the established objectives.

Following the release of the Elements of the Agreement on October 4, 1987, the Government of Saskatchewan again consulted with Saskatchewan industry and interest groups to share with them our assessment of the Agreement. Industry agreed with our assessment that this was a beneficial agreement for Saskatchewan.

The Agreement, finalized in early December, 1987 and signed by both governments on January 2, 1988, was not substantially changed from the October version of the Elements of the Agreement. Based on that, the Government of Saskatchewan strongly supports the Agreement as negotiated. Part II of this document examines, by sector, what the Agreement achieved in terms of the province's objectives and the impact of the Agreement's provisions on each sector or group.

The Canada-U.S. Free Trade Agreement is a commercial agreement. It establishes, for the first time, a set of jointly-determined rules and institutions to govern bilateral trade and investment between our two countries in a manner that is fair and predictable. This predictable trade and investment environment provides two clear benefits to all Saskatchewan businesses and workers. First, it protects the markets we already have for our traditional exports to the U.S.. Our resource, agricultural and steel sectors will no longer hesitate to reinvest or expand their facilities because of a threatening trade environment in which the rules can be changed unilaterally.

Secondly, the Agreement provides the certainty of access investors require in order to build and develop new products for export. The removal of the relatively high U.S. tariffs on value-added goods will make it easy for the further processing of our raw materials to take place in Saskatchewan.

Securing our present markets and providing encouragement for new investments and job opportunities are not the only benefits one can expect. Estimates indicate that the average consumer can expect an additional $200-$250 per year of disposable income once all tariffs are eliminated in 1998.

Who are the winners in Saskatchewan? First, we all gain as consumers, as do all producers in their purchases of inputs. As producers, it depends in what industry we work. The following are some of the obvious beneficiaries of the Agreement:

- the **oil and natural gas** industry (Swift Current, Estevan, Kindersley and Lloydminster)
- the **livestock and meat processing** industries (North Battleford, Moose Jaw and Saskatoon)
- the **steel and light manufacturing** industries (Regina, Yorkton and Saskatoon)
- the **uranium** industry (Northern Saskatchewan)
- the **potash** industry (Esterhazy, Rocanville and Lanigan)
- the **forestry and forest product** industries (Prince Albert and Meadow Lake)

Who are the losers in Saskatchewan? Our analysis concludes that there are no obvious losers as a result of the Agreement. Most of our industries either already produce competitively at world price or produce goods and services which are not tradeable. Those industries which could have been negatively affected, such as the breweries and the poultry, egg and dairy sectors, have been protected in the Agreement.

As a commercial agreement, the Agreement naturally does not affect non-commercial activities. Those institutions, policies and programs that Canadians consider essential for preserving our national identity and sovereignty have been given explicit protection or exemption: e.g., health care, unemployment insurance, social services, regional development, immigration and culture. Furthermore, existing limitations on foreign investment in such areas as culture, telecommunications, air transport, energy and land ownership have been preserved. Even when the Agreement is fully implemented, Canada reserves the right to review and approve all U.S. takeovers of Canadian-owned businesses valued above $150 million.

In conclusion, the Agreement does not remove each and every theoretical barrier to Canada-U.S. trade. That would have been impractical and unacceptable for both countries. However, it is a fair agreement of significant benefit to both countries and represents a very real and substantial improvement over the status quo. Both countries have agreed jointly to fair and predictable rules to govern their commercial relationship; rules that cannot be changed unilaterally. The Agreement is of particular benefit to the consumers, workers and businesses of Saskatchewan.

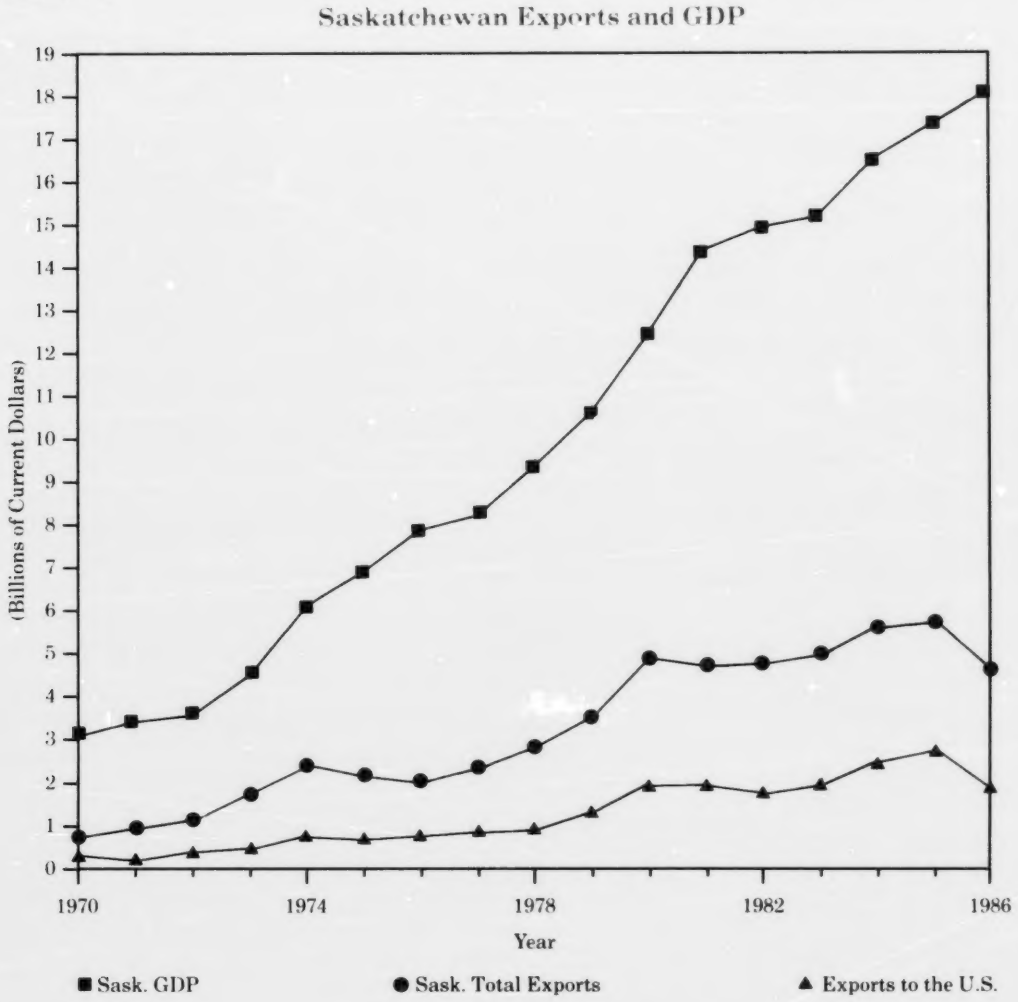
Canadian and Saskatchewan firms now have preferential access to the world's most affluent market. This will provide our firms with the opportunity to compete successfully not only in North America but in offshore markets as well. Finally, the Agreement can serve as a model for multilateral negotiations. Canada's and Saskatchewan's trade interests would be well-served if the terms of this agreement could apply to our commercial transactions with all our trading partners.

Introduction

Canada has been a trading nation throughout its history. Our prosperity as a country and the high standard of living of Canadians is a direct result of our success in the international market. In 1986, exports of Canadian goods and services comprised 27 per cent of Canada's total Gross Domestic Product (GDP).

Like Canada as a whole, Saskatchewan relies heavily on international markets for its economic prosperity. In 1986, Saskatchewan exported $4.6 billion of goods and services which accounts for 26 per cent of total provincial GDP. However, 1986 was a year when the prices of most of our resource exports were abnormally low. Under more normal circumstances, total exports as a share of provincial GDP is about 35 per cent. Currently, one in four jobs in the province depends on trade. The importance of exports as an engine of growth for the Saskatchewan economy is portrayed in Figure I below.

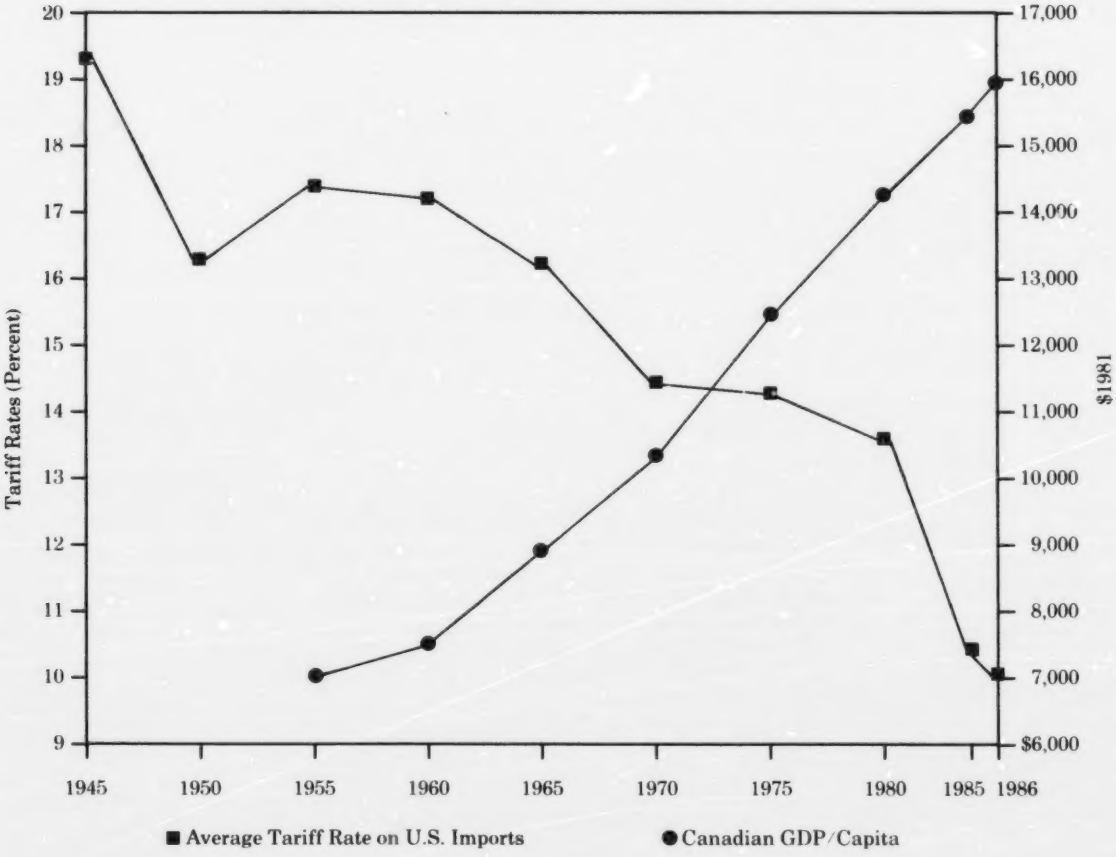
Figure I



Being a trading country, Canada has prospered from the removal of barriers to international trade. The liberalization of trade through the reduction of tariffs has not hindered Canadian economic growth but, rather, has acted as a stimulus to economic activity as Canadian firms obtain more access to foreign markets. This is seen very dramatically in Figure II below.

Figure II

Comparison of Canadian GDP/Capita and Canadian Tariffs on U.S. Imports



It is for this reason that, for over half a century, successive Canadian governments, regardless of political party, have sought to reduce trade barriers around the world.

That process of trade liberalization began in the mid-1930s, with a Canada-U.S. bilateral trade agreement that was to form the basis of the post-war *General Agreement on Tariffs and Trade (GATT)* - the central instrument for global trade liberalization over the past four decades.

Since the creation of the GATT in 1947, Canada has gradually reduced trade barriers through seven rounds of multilateral trade negotiations. We are active participants in the current "Uruguay Round" in which governments are attempting to negotiate further liberalization of trade and, for the first time, to establish rules to govern international trade in agriculture and services.

This global approach has been complemented by a variety of bilateral trade agreements with our largest trading partner, the United States, in such key sectors as defense and automotive products.

The cumulative result has been that, by 1987, about 75 per cent of the Canada-U.S. trade flows tariff-free. At the same time, Canada's average tariff on imports from the U.S. has declined from 19.3 per cent in 1945 to just under 10 per cent today.

The Importance of the U.S. Market

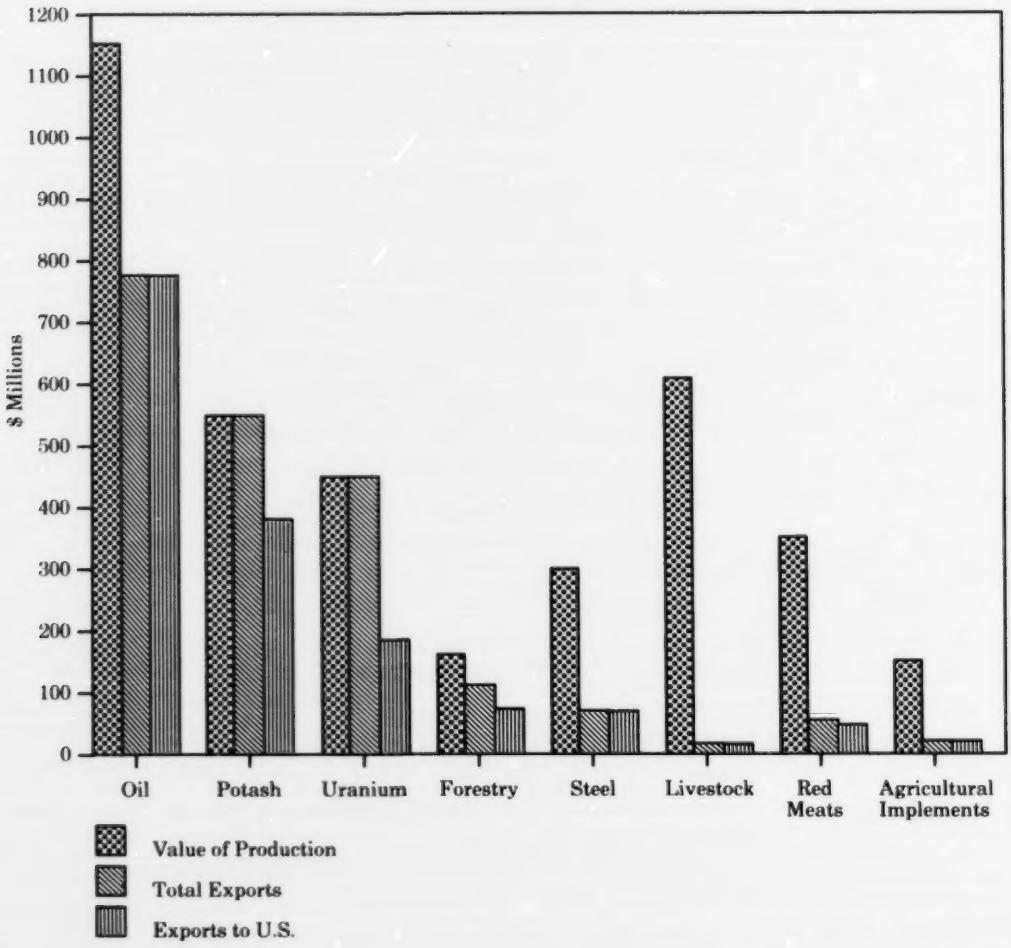
In 1986, 72 per cent of the total Canadian external trade in goods was with the United States. Naturally, the relative importance of Canada-U.S. trade differs by province. In the case of Ontario, 85 per cent of the province's external trade in goods is with the U.S. market. Less than 50 per cent of Saskatchewan's external trade in goods was with the U.S. in 1986. While low by Canadian standards, the importance of provincial trade with the U.S. has been increasing over the last two decades. Figure III describes the relative importance of the U.S. as a market for Saskatchewan exports over the period 1970 to 1986.

Figure III

While less than one-half of Saskatchewan's total exports are destined for the U.S., it is the most important market for many of our largest exports such as oil, potash, uranium, livestock/meats and forest products. In fact, if one excludes the grains/oilseeds sector, between 60 and 70 per cent of Saskatchewan's exports were destined to the U.S. market during the period 1981-1986. Figure IV outlines the value of production and exports for those Saskatchewan industries with major exports to the U.S. market.

Figure IV

Value of Production and Exports by Industry (1986)



Growing U.S. Protectionism

One of the most potentially harmful impacts on important Canadian and Saskatchewan markets is growing U.S. protectionism.

While protectionism has always existed wherever there is trade, it has recently become stronger in the U.S. due to changes brought on by low commodity prices and the emergence of strong competition from the newly-industrialized countries both internationally and in the domestic U.S. market.

This has made it difficult for some U.S. industries to compete against imports. The natural reaction is to blame foreign competition and to seek relief in the form of protection from competitively-priced imports. American legislators have proposed scores of amendments to make U.S. trade law more protectionist.

Actual, or threatened, trade actions under existing U.S. trade law, combined with proposed changes in the current Omnibus Trade Bill, seriously undermine existing access to the U.S. market for virtually all major Saskatchewan exports.

Existing or threatened trade actions include:

- an export tax of 15 per cent on Canadian shipments of **softwood lumber** to the U.S.;
- a 4.4 cent per pound countervailing duty against exports of **Canadian hogs**;
- a countervailing duty and anti-dumping duty on **steel pipe** from IPSCO;
- a voluntary export restraint agreement limiting Canadian exports of **steel** to the U.S.;
- an anti-dumping suit against **potash**;
- an investigation into export practices of Canada's **cattle and beef** industries;
- a U.S. court ruling prohibiting the enrichment by U.S. facilities of imported **uranium**;
- a petition to restrict **oil** imports to the U.S. based on national security grounds; and
- the imposition of a $5 per barrel import fee for **crude petroleum**.

In addition to trade actions under existing U.S. legislation, U.S. Congress is considering the following amendments of consequence to Saskatchewan exports;

- a threatened extension of the **hog countervail** duty to **processed pork**;
- the imposition of severe financial penalties on U.S utilities which use more than 37.5 per cent foreign **uranium** as well as the introduction of a tax on imports of processed uranium;
- a proposed amendment to retaliate against Canada's policy of controlling **wheat** imports as well as a threatened anti-dumping action against wheat imports from Canada; and
- a proposed amendment to restrict access to U.S. markets where foreign government practices have increased capacity to produce a good, such as **potash**, resulting in an excess supply worldwide.

Our vulnerability to the threat of further U.S. trade actions and U.S. proposals to unilaterally amend trade legislation underscored the importance of the Canada-U.S. trade negotiations.

Because of both the importance of international trade to the Saskatchewan economy and the particular importance of the U.S. market, the government has, since 1982, consistently urged the Government of Canada **to seek free trade through both bilateral negotiations with the U.S. and the multilateral GATT process.** A commitment to this two-track approach to trade liberalization was made collectively by western premiers in a document tabled at the **1985 Western Premiers' Conference in Grande Prairie**, entitled "Western Canadian Trade Objectives for the Next Decade". This document was signed by the four western premiers.

Since then, Saskatchewan has strongly supported the negotiation of a comprehensive agreement with the United States so that Canada could enjoy the preferential access to the U.S. market allowed by free trade area status. The agreement negotiated, however, would have to be sufficiently broad in scope in order to meet the GATT test for a legitimate free trade area.

The Public Consultation Process in Saskatchewan

The first meeting of the Canadian and U.S. negotiators took place in Ottawa on May 21, 1986. However, the actual negotiating of specific issues did not get fully underway until September, 1986.

As part of the government's preparations for the negotiations, the Saskatchewan Trade Negotiations Secretariat spent the period May-July 1986 preparing its initial recommendations for the province's negotiating objectives for each sector of the provincial economy.

In August 1986, the government embarked on its first round of public consultations as the final step in preparing for the actual negotiations. During these consultations, the Trade Commissioners appointed by the government received briefs from 73 organizations representing industry, labour, consumer groups and other groups and individuals with an interest in the negotiations. In total, 58 groups appeared before the Commissioners to present their views.

As a result of these consultations, the government learned that the vast majority of industry representatives and consumer groups were in support of the Canada-U.S. trade negotiations because of the economic and employment opportunities that it would provide. However, their support was based on the achievement of an agreement which met their objectives and brought significant economic benefits to Saskatchewan. More specifically, the Consultations provided the government with the following:

1. a clear understanding of the economic strengths and weaknesses of each sector and its interest in trade with the United States;
2. the specific negotiating objectives of each sector; and
3. those Canadian/provincial policies, programs and institutions which must remain "non-negotiable" from the point of view of Saskatchewan people.

Based on this information, the government finalized its negotiating objectives in September/October, 1986.

In early October, 1987, the Elements of the Agreement were finalized. In order to assess properly whether this document achieved Saskatchewan's objectives, **the Saskatchewan Government held a second round of public consultations from the middle of October to the end of November, 1987.** Altogether, twenty meetings were held in eight cities with groups representing industries, labour, consumers and our universities. In these meetings, the government sought, and received, confirmation that the Elements of the Agreement achieved the province's objectives.

When the legal text was released in December, 1987, its contents did not vary significantly from the October document. Therefore, based on the results of both rounds of consultations, the Government of Saskatchewan gave its full support to the Canada-U.S. Free Trade Agreement in mid-December.

The Agreement, signed on January 2, 1988, meets the fundamental trade objectives of Saskatchewan. It continues and complements Canada's and Saskatchewan's long-standing commitment to freer trade. More specifically, it:

- provides significant economic benefits to the people of Saskatchewan, both through lower prices for consumers and increased export opportunities for businesses and workers;
- is consistent with GATT principles by meeting the GATT test for a preferential free trade area;
- sets new standards for multilateral rules by going beyond the current GATT rules in such subject areas as government procurement and export subsidies on agricultural products;
- breaks new ground for potential global action by creating rules for certain sectors not yet subject to GATT rules, such as services;
- achieves some Canadian national objectives which have been thwarted in prior GATT negotiations (for example, the removal of high American petrochemical tariffs and the exemption of Canadian products from U.S. emergency safeguard actions when our products are not a major part of the problem).

The Agreement is a commercial agreement, establishing rules on cross-border business activities. It does not, therefore, affect those institutions, policies and programs which Canadians wanted protected. Canada's ability to establish and deliver policies and programs in areas such as health, unemployment insurance, social welfare, regional development and immigration is unaffected by the Agreement. The area of culture is specifically defined and exempted from the provisions of the Agreement.

The major objective of this report is to summarize, by sector, the issues and reactions raised during the Government's consultations over the period August, 1986 - November, 1987. In covering each of the nineteen sectors, this report:

1. Summarizes the objectives for the Canada-U.S. negotiations of each sector's representatives. This information was first provided to the provincial government's negotiating team in August, 1986.
2. Describes the provisions of the Agreement that may affect each particular sector.
3. Summarizes the reactions of representatives from each sector to the provisions of the Agreement. The information provided in this section throughout the report was obtained from discussions with representatives of each sector during October/November, 1987. Therefore, these reactions need not reflect the particular views of each firm or individual active in the sector covered.
4. Assesses the likely impact of the Agreement on each sector.

Before examining the specific implications of the Agreement on each sector/interest group, it will be useful to begin this assessment by discussing three areas of general interest: (a) those provisions of the Agreement which affect all sectors; (b) the likely overall impact of the Agreement on the Canadian and Saskatchewan economies; and (c) those issues, policies and institutions which are not affected by the Agreement.

PART I

Tariff Removal

One of the least discussed but most significant achievements of the Agreement is the removal of all tariffs on Canada-U.S. trade in goods made in both countries.

All tariffs between Canada and the U.S. will be eliminated by January 1, 1998. Tariffs will be eliminated on the basis of three schedules:

- For those products with relatively low tariff rates which are ready to compete now, tariffs will be eliminated when the Agreement comes into force on January 1, 1989. Some examples are:

	Tariff Rate	
	Canada	**U.S.**
Various Unprocessed Fish	0.0 — 8.0%	0.0 — 1.1¢/kg
Leather	6.8 — 11.3%	2.4 — 5.0%
Some Pork Products	2.21¢/kg	2.2¢/kg
Computers and Equipment	3.9%	3.9%

- For other products, tariffs will be eliminated in five equal steps, starting on January 1, 1989, with tariffs being reduced to zero on January 1, 1993; for example:

	Tariff Rate (Per Cent)	
	Canada	**U.S.**
Paper and Paper Products	1.0 — 10.2	2.0 — 5.8
Hardwood plywood	8.0 — 9.2	3.0 — 8.0
Furniture	10.0 — 16.1	3.1 — 7.5
Chemicals (excluding drugs and cosmetics)	6.8 — 12.5	1.5 — 17.5

- All other tariffs will be eliminated in ten equal reductions, starting on January 1, 1989, until all products are tariff free on January 1, 1998. Some examples are:

	Tariff Rate (Per Cent)	
	Canada	**U.S.**
Textiles and Apparel	5.5 — 25.0	5.0 — 33.0
Softwood Plywood	9.2 — 15.0	5.0 — 20.0
Rail Cars	17.5	18.0
Steel	4.0 — 10.2	4.2 — 6.0
Appliances	9.2 — 12.6	4.0 — 5.6
Tires	10.7	4.0
Most Agricultural Products	2.0 — 27.5	4.0 — 35.0

The elimination of all tariffs on two-way trade of goods made in Canada and the U.S. will have significant benefits to Canadian consumers and businesses.

Consumer Benefits from Tariff Removal

Canadian consumers will benefit through lower consumer prices due to the elimination of tariffs under the Agreement. Several studies have estimated how much consumers will save from the removal of tariffs.

Prior to the Agreement being finalized, the Economic Council of Canada calculated the benefits to consumers of be about $390 per person annually after all tariffs are phased-out in 1998. The Council also considered that the federal government would likely increase taxes to offset the lost tariff revenue, which currently amounts to $2.1 billion annually, or $83 per person. This lowers the estimated benefits to consumers to about $300 per person on an annual basis. However, the Economic Council's estimate is high because the assumptions used in its study do not accurately reflect the exact provisions of the Agreement finally negotiated.

Other studies have estimated that consumers will save from $200 to $250 per person annually on consumer purchases after lost federal tax revenues due to tariff elimination have been fully offset through increases in other taxes.

The reason why the consumer benefit ($200-$250) is greater than the tax revenue generated from the tariff ($83) is that the elimination of tariffs on goods imported from the U.S. is not the only cost savings accruing to consumers. As tariffs are phased-out, the lower priced imported goods will become more attractive, and thus put pressure on domestic firms to lower their prices. As a result, consumers will benefit not only from tariffs being eliminated on goods imported from the U.S., but from lower domestic prices as well.

Industrial Transformation through Tariff Removal

The removal of tariffs on Canada-U.S. trade will have several effects on Canadian firms. First, as consumers of inputs for their production process, firms will benefit from lower-priced imports and domestically-produced goods. As producers, Canadian businesses will experience two impacts from the removal of tariffs. As U.S. tariffs on the goods they produce are removed, Canadian firms will be more competitive in the U.S. consumer market. At the same time, the removal of the Canadian tariff will bring increased competition to Canadian firms from their U.S. counterparts.

A. Specialization in Manufacturing

Several Canadian manufacturing industries are already positioned to take advantage of increased access to the U.S. market once U.S. tariffs are removed. For these, the benefits of a "tariff-free" trading environment are clear. However, some Canadian manufacturers, for example in the appliance and apparel sectors, will face increased competition from U.S. imports. For the most sensitive industries, tariff elimination will occur over a ten year period. In the case of a manufactured product with a 15 per cent tariff, that would mean a planned reduction in costs of 1.5 per cent per year in order for a Canadian manufacturer to compete successfully with its U.S. counterpart. At the same time, however, this firm now has free access to the large U.S. market.

In adjusting to the new tariff-free environment, most Canadian firms now protected by high tariffs will not simply produce less of everything. Rather, they will specialize their production lines. Firms will stop producing relatively few units of a wide range of goods and start producing much more of those few products in which they have a particular

advantage. Canadian firms will then be more cost competitive and able to sell their products at lower prices to Canadian consumers as well as in the U.S. and other export markets. The benefits to Canadian consumers of these gains in Canadian productivity are over and above the direct benefits of tariff removal discussed above.

As Canadian firms become more specialized, Canadian workers will change jobs. However, the vast majority of these job changes will take place within the firm itself. In addition, many of the remaining job changes will occur within the industry. However, for those relatively few workers who will be required to find alternative employment, governments must provide assistance so that these individuals can obtain new and productive jobs in those industries which will grow as a result of the Agreement.

In the so-called "soft sectors" of the economy (for example, footwear, textiles and apparel), existing high tariffs reflect concern with competition primarily from low-cost third countries, not the U.S.. Such tariff protection against third country imports remains intact.

It should be noted that several U.S. industries are less internationally competitive than their Canadian counterparts. American fears of highly competitive and growing Canadian textile and apparel imports caused the U.S. to demand a ceiling in the Agreement on the potential growth of Canadian imports.

The maintenance of the status quo vis-a-vis third countries, and growing Canadian apparel exports to the U.S., suggest concerns regarding the textiles/footwear industries may have been overstated.

B. Impact of Tariff Elimination on Economic Diversification

As tariffs are eliminated, firms which process or manufacture goods with a high value-added content will be better able to sell their products in the U.S. market. The reason is that goods with a higher value-added component are currently subject to higher tariff rates. This has made it extremely difficult for firms involved in producing these kinds of goods to penetrate and compete in the U.S. market. In fact, the high tariff on processed goods, combined with low or even zero tariffs on unprocessed materials, has acted as an incentive for Canada to simply export raw materials with all the labour-intensive processing taking place in the foreign market.

In Saskatchewan, many sectors producing high value-added goods will benefit from tariff removal. For instance, in the forestry industry, there is no duty on pulp exported to the U.S., but for paper products, which involves further processing, there are tariffs of up to six per cent. In the livestock industry, no tariffs exist on live animals shipped to the U.S., but on processed meats, the duty is as high as ten per cent. In the oilseed industry, raw canola shipped to the U.S. is subject to a tariff of 0.9 cents per kilogram, but canola oil is subject to a higher duty of 7.5 per cent.

The removal of all tariffs, including the high tariffs on high value-added goods exported to the U.S. will remove the incentive to export raw materials. The playing field will now be levelled, with the location of further processing facilities now being determined strictly by labour productivity and locational advantages. Therefore, a free trade environment between Canada and the U.S. is a major cornerstone to the diversification of the Western Canadian economy.

The transformation of Canadian industry, both through increased specialization in our manufacturing sectors and further processing of our natural resource and agricultural products, will provide a vast number of investment opportunities. These, in turn, will provide additional economic activity throughout all regions of Canada.

Investment

The two governments have agreed to reduce, but not eliminate, all barriers to investment. Canada has agreed to move the threshold level for review of a direct takeover of a Canadian-controlled firm by an American investor from its current level of $5 million to $25 million in 1989 and rising to $150 million in 1993. Thereafter, the threshold level will remain constant in real terms. Canada further agreed to eliminate, over the next three years, its current policy of reviewing acquisitions by U.S. investors of Canadian firms already majority-controlled by foreign interests.

The United States agreed that Canadian investors would be exempt from any future U.S. restrictions on foreign investment.

Both governments retain the right to maintain existing limitations in key sectors. For example, Canada will maintain its current foreign ownership restrictions in culture, telecommunications, air transport and energy. Provincial restrictions on foreign ownership of agricultural land remain in place.

The Agreement also provides that each government will not impose trade-distorting export, local content, local sourcing or import substitution requirements as a condition of permitting foreign investment.

Bilateral Trade Rules and Dispute Settlement

Anti-dumping and Countervailing Duty Cases

The Agreement provides for a binding dispute settlement mechanism to ensure a fair and impartial application of Canadian and American trade laws. A binational panel will replace the current system of judicial review by national appeal courts. Either government may seek a review of a dumping or countervailing duty determination, and will be obliged to involve the panel procedure if petitioned by private parties to a dispute. The panel will have binding power to overturn decisions if it finds that national laws have been improperly or unfairly applied. They will also be required to render their decisions within a set period of 300 to 315 days — less than one half the time of the current U.S. judicial review process.

The Agreement also provides for the joint development of an improved and harmonized set of rules for anti-dumping and countervail actions. If no such system of laws is agreed to and implemented at the end of five years, the present arrangement is extended for a further two years. Failure to agree to implement a new regime at the end of the two year extension shall allow either party to terminate the Agreement on six months notice.

Additionally, the two governments have agreed that changes in anti-dumping and countervailing duty legislation only apply to each other following consultation **and** if specifically provided for in the legislation. Either government may ask a bilateral panel to review such changes in light of the objective and purpose of the Agreement and their GATT rights and obligations. Should a panel recommend modification, failure to reach agreement gives the other party the right to take comparable legislative or equivalent executive action or terminate the Agreement on sixty days notice.

Safeguards

Safeguard provisions are currently used to curb fair, but injurious, trade flows (e.g. the recent cedar shakes and shingles case). Under GATT law, countries must apply safeguard restrictions on imports from **all** countries. The Agreement modified the safeguard provision by exempting Canadian exports from U.S. safeguard actions if they represent less than five to ten per cent of total U.S. imports, and if they do not "contribute importantly" to injury. In this way, Canadians will no longer suffer as a result of U.S. actions directed at imports from other countries.

When Canadian exports are included in a safeguard action, the U.S. administrative authority must take into account Canadian export trends and the U.S. remedial action cannot drive Canadian exports below their trend level. Finally, as a transitional adjustment measure to bilateral free trade, either country can reimpose tariffs, for a maximum three year period, if imports from the other country are causing serious injury to the domestic industry.

General Institutional Provisions

To ensure that the Agreement is effectively implemented and enforced, a new Canada-U.S. Trade Commission will be formed and a process of consultation has been created to prevent and resolve disputes. Both governments will be represented on the Commission by Cabinet-level appointees.

Should consultations and referral to the Commission fail to arrive at a mutually satisfactory resolution of a dispute, procedures have been devised to ensure a solution, including:

- Compulsory arbitration, binding on both parties, for disputes arising from the interpretation and application of the safeguard provision.
- Binding arbitration in all other disputes where both parties mutually agree.
- Panel recommendations to the Commission which, in turn, is mandated to agree on a resolution of the dispute.

Improvements Over Existing Situation

The dispute settlement mechanism contained in the Agreement represents an improvement in the manner in which disputes between the U.S. and Canada are currently addressed.* On a general level, the U.S. will be obligated to consult with Canada before enacting changes to its anti-dumping or countervailing duty laws. Futhermore, such changes must be consistent with establishing fair and predictable conditions for the progressive liberalization of trade between the two countries.

There are several reasons why the dispute settlement mechanisms contained in the Agreement have a distinct advantage over the current system, including:

- A short, predictable time frame that guarantees a faster process than under U.S. trade law. This feature permits a more stable and predictable trading environment.
- A fair, jointly-managed binational panel review of a dispute means that Canada's interests will now be heard in the determination process. Currently, the U.S. courts alone determine the validity of an action brought against Canada by a U.S. industry.
- U.S. private sector harassment of Canadian industry through U.S. trade remedy law is less likely because of the presence of the impartial binational panel.

* Canadian industry also uses trade remedy laws vis-a-vis the U.S.. The Agreement would impose parallel disciplines on Canada's exercise of trade remedy law.

- This process is an interim arrangement pending the replacement of both parties' domestic trade laws with an improved , mutually-acceptable set of trade laws over the next five to seven years.
- Fundamentally, fairer, more predictable trade rules will create an atmosphere of greater certainty to conduct business. Canadian business will have greater comfort when planning and making investment decisions in the future knowing that trade rules between the two countries cannot be changed unilaterally.

Impacts on the Canadian and Saskatchewan Economies

Growth in the Canadian Economy

The provisions contained in the Agreement, particularly those relating to tariffs, investment and trade rules, provide a significant stimulus to the Canadian economy. A definitive study of the economic impact resulting from the exact agreement negotiated on December 12, 1987, has not as yet been completed. Nevertheless, several studies have been completed by nationally-respected economic institutions based on assumptions relatively comparable to the final text.

These studies were unanimous in concluding that Canada-U.S. free trade would increase Canada's gross national income over and above what it would be without an agreement. Specifically, the studies reported the following additional national income for Canada by the year indicated in brackets.

Additional Canadian GDP due to the Free Trade Agreement

Study	Per Cent
Federal Department of Finance	2.5 (1993)
Economic Council of Canada	3.3 (1995)
Informetrica	3.0 (1998)
Institute for Policy Analysis	3.3 (1995)
Wharton Econometrics	3.1 (2000)

For example, the federal Department of Finance Study estimates that Canadian GDP will be 2.5 per cent higher in 1995 solely because of the Free Trade Agreement. This increase in national income, due to consumer benefits and productivity gains, amounts to an additional $12 billion of economic activity in that year. This is the equivalent to $1,800 for every Canadian household, year after year.

While the various studies do not reach the same exact results, it is clear that national income will rise by around three per cent in the next four to eleven years. The reason for the discrepancy in the timing and level of the expected growth is that each model made different assumptions as to exactly what would be in the legal text finalized on December 12, 1987. For example, let us compare the results of the Economic Council of Canada, which is on the high side, with the lower results of Informetrica.

The Economic Council had assumed that all federal, provincial and state procurement would be completely liberalized. Only a portion, albeit a significant portion, of federal procurement was covered by the Agreement finally negotiated. Furthermore, this study assumed that all outstanding trade disputes would automatically disappear once the Agreement came into effect. Such a provision was not included in the final text. As a result, the Economic Council estimates may be slightly higher than what one can now reasonably expect.

Informetrica, on the other hand, has results that are "more pessimistic". However, Informetrica's study was completed in 1985 using data that no longer reflects current circumstances.* The study does not capture the full impact of the non-tariff barriers between the two countries. For example, in 1986, a U.S. court decided to restrict the imports of uranium in an attempt to protect the viability of its domestic uranium industry. Under the Agreement, the restriction has been lifted and will bring about a significant benefit to the Canadian uranium industry.

The federal Department of Finance study was completed based on the elements of the Agreement, and therefore projects most accurately the impact the Agreement will have on Canada.

Regional Impacts

The impact of the Agreement on the level of economic activity will spread to all regions of Canada. The federal government's Department of Finance estimates the following increases in economic activity by 1993:

	Percentage Change
Atlantic	2.3
Quebec	2.3
Ontario	2.7
Prairies	2.4
British Columbia	2.5
Canada	2.5

Overall, Ontario will see the greatest additional economic activity because of increased market opportunities for its large and diversified manufacturing base. Other regions of the country will benefit from lower cost manufactured goods as well as from the additional opportunities for further processing of their natural resources and more secure access for existing exports.

Impact on Saskatchewan

Two estimates exist on the specific impact of the Agreement on the Saskatchewan economy.

The Economic Council of Canada estimates that in 1995 Saskatchewan GDP will be higher by 1.6 - 3.3 per cent as a direct result of Canada-U.S. free trade. This amounts to an additional $250-$575 million (1981 prices) in annual economic activity for the province.

Informetrica, on the other hand, estimates that, in 1998, the Agreement will cause an additional 1.3 - 1.8 per cent of economic activity in Saskatchewan.**

Both estimates likely underestimate the full impact of the Agreement on the Saskatchewan economy as neither study attempts to estimate the impact of additional investment in the province resulting from the Agreement, particularly in the resource sectors.

* Informetrica is revising its study based on the provisions of the Agreement finally negotiated. This updated version was not available at the time this report was completed.

** The broad reasons underlying the different results are explained on page 16.

Increased Employment

The Canadian labour market is very dynamic. Every year, up to four million Canadians change jobs. With increased economic activity will come new and more productive job opportunities for all Canadians. The following economic research institutions have estimated the **net** increase in jobs across Canada due to the Agreement as:

Federal Department of Finance	120,000 (1993)
Economic Council of Canada	350,000 (1995)
Informetrica	200,000 (1998)
Wharton Econometrics	240,000 (2000)

While likely the most accurate study to date, the federal Department of Finance estimates of employment growth are not broken down on a regional or provincial basis. Two of the studies, however, provide estimates of the net increase in employment in Saskatchewan resulting from the Agreement. The Economic Council of Canada estimates that, by 1995, an additional 6,400 to 11,500 jobs will be created by free trade. On the other hand, Informetrica estimates that Saskatchewan will see an increase in employment of between 2,000 and 6,000 by 1998.* It should be noted that neither estimate takes into account the jobs created by new investment in Saskatchewan which will result from the Agreement, particularly in the resource and resource processing sectors.

All studies are unanimous in concluding that the Agreement will create a significant number of new productive jobs throughout all regions of Canada. The above estimates refer to **net** job growth. For example, the federal Department of Finance estimate of 120,000 more new jobs simple means that, by 1993, 120,000 more jobs will be created than will be lost because of the Agreement.

The fact that some Canadians will lose their **present** jobs as a result of increased U.S. imports should not cause concern if these same individuals can find a new job which is a better job, a more productive job and a higher-paying job in a firm exporting to the U.S. market.

The Government of Saskatchewan concurs with the federal Department of Finance that the Agreement will not be a major source of upheaval in our economy. We base this view on four factors:

1. Trade liberalization has been a relatively unimportant source of adjustment pressure in the past. In fact, Wharton Econometrics' latest study notes that the Agreement may cause, at most, 50,000 people to change jobs annually. This must be compared to the total of four million Canadians who normally change jobs each year. Far more important have been changes in consumer preferences, technological change, interest rates, and currency and commodity price fluctuations.
2. Canada and the U.S. have already extensively lowered trade barriers over the past four decades. The degree of change caused by the Agreement is minor relative to what has occurred in the past.
3. Those tariffs which remain high are in sectors facing intense competition from third countries and not the U.S.. Tariff protection against third country imports remains unchanged.
4. Those sectors of the provincial economy most vulnerable to U.S. competition have been protected under the terms of the Agreement through the maintenance of provincial procurement practices, rules governing the distribution of beer and supply management boards.

* The broad reasons underlying the different results are explained on pages 16-17.

Compared to the amount of of job changes which normally occur in the Canadian economy, the unemployment induced by the Agreement will be relatively minor. This is particularly true in the case of Saskatchewan as we have few industries which are not already facing world prices. Nevertheless, as a matter of national policy, governments must design and establish effective programs that retrain and otherwise assist workers to find those new and better jobs resulting from liberalized trade. Canadian workers must be secure in the knowledge that adjustment assistance will be available for retraining so that they can have better, higher quality, and more productive jobs in the expanding sectors of the economy.

Several such programs are already provided by governments in Canada and these may have to be re-designed, enhanced or supplemented by new programs in order to deal effectively with any additional job displacement caused by the Agreement. In January of this year, the Government of Canada announced the establishment of an Advisory Council on Adjustment to advise the government on the effectiveness of existing programs as well as how to best assist workers and firms to take full advantage of the new opportunities provided by the Agreement.

Issues and Policy Areas Unaffected by the Agreement

This report focuses on what is contained in the Canada-U.S. Free Trade Agreement and the effects of the Agreement on the businesses and people of Saskatchewan. However, what is not in the Agreement is as important as what is included. It was the consistent position of Canadian governments that several Canadian policies, programs and institutions remain non-negotiable. Furthermore, because of long-standing Canadian policies, certain Canadian industries are unaffected by the Agreement. Saskatchewan's position on these exemptions was confirmed through our Public Consultations in August, 1986.

The following policies, programs and institutions are examples of those that are unaffected by the Agreement:

- **All Canadian and provincial social policies and programs.** For example, the Canada Pension Plan, unemployment insurance, provincial medicare systems, social assistance programs and day care programs are all unaffected by the Agreement.
- **Canadian immigration laws and policies.**
- Canadian governments retain the right to establish and maintain **regulations in the areas of health, safety, environmental protection, national security and consumer protection.**
- **Canadian governments can continue to design and implement whatever cultural policy Canadians desire.** Cultural industries are clearly defined in the Agreement and are exempt from its provisions.
- **Canadian governments can continue to design and implement policies and programs to promote and foster regional development.**
- **All existing restrictions by governments on the foreign ownership of agricultural land.** Saskatchewan's current restrictions remain intact.
- **Canada's current policy on the export of water resources.**
- **The constitutional right of provinces to develop, conserve and manage their non-renewable natural resources.** Saskatchewan therefore retains the sole right to set the rate of production for its energy and mineral resources.

- **The Canadian Wheat Board will continue to be the sole exporter of western Canadian wheat, oats and barley.** Moreover, the quality-control functions of the Canadian Grains Commission remain unaffected.
- **All Canadian agricultural marketing boards are untouched.**
- **Canada's system of supply-management for poultry, eggs and dairy.** Moreover, additional supply-managed programs can be created whenever Canadians decide.
- **Canada's system of export controls for unprocessed logs of all species.**
- **The right to maintain and regulate existing private or public monopolies.** For example, SaskTel's provision of basic telecommunications services, Saskatchewan Power's sale of electricity and natural gas and the Saskatchewan Auto Fund of SGI are all untouched. Moreover, governments can establish additional monopolies as deemed appropriate.
- **The right of Canadian governments to maintain existing and establish new Crown corporations.** Should a Canadian government decide to sell a Crown corporation to private individuals, it retains the right to restrict share ownership to residents of the province or Canadian citizens.
- **Provincial government policies regarding the sale and distribution of beer.** This, in effect, exempts the Canadian brewery industry from most provisions of the Agreement.
- **Existing Canadian government policies restricting foreign ownership in certain key sectors such as energy, telecommunications, newspapers, radio, television and other cultural industries.**
- Even after the full implementation of the Agreement, **Canada will retain its right to review all U.S. takeovers of Canadian-controlled companies which are valued over Cdn. $150 million.** Such firms represent over 65 per cent of total Canadian-controlled corporate wealth within Canada.
- **Canada's monetary, fiscal and exchange rate policies.** The exchange rate, or value of the Canadian dollar in terms of the U.S. dollar and other foreign currencies, will continue to be determined by international trade and investment flows and the overall strength and productivity of the Canadian economy.

PART II

Sectoral Analysis

This section summarizes for each major sector and interest group:

1. the initial objectives of the sector/group as determined in the Public Consultations held in the summer of 1986;
2. elements of the Agreement which impact on the sector/group;
3. reaction to the Agreement as expressed by the representatives in the Sector meetings in the fall of 1987; and
4. impact assessment of the Agreement on the sector/group.

While every individual may not agree with the "Industry Reaction to the Agreement", it reflects the preliminary assessment of the groups' representatives who met with the Saskatchewan Government after the Elements of the Agreement were released in October, 1987.

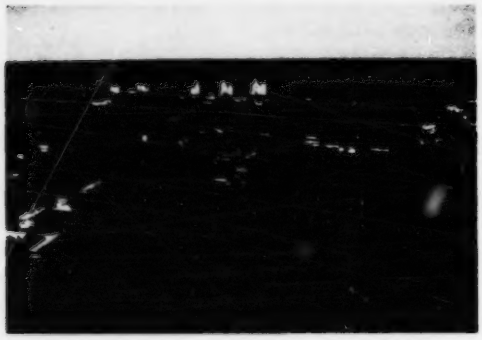
A. Grains and Oilseeds

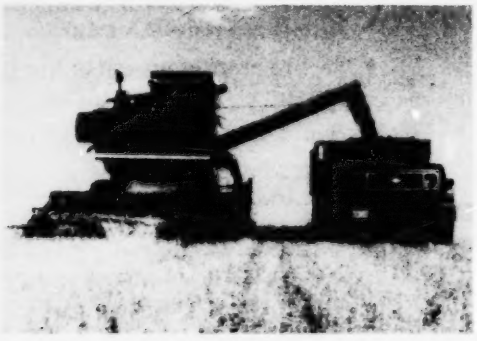
1. Initial Objectives of the Industry

- Address the issues of trade-distorting grain export subsidy programs and carry forward a common approach to dismantling them in the GATT negotiations.
- Protect the Canadian Wheat Board marketing system to ensure that the Canadian Wheat Board remains the sole export marketing agent of Canadian grain.
- Prevent imports of U.S. grain from entering the Canadian export system.
- Remove the U.S. tariff on canola oil.

2. Elements of the Agreement which Impact on this Industry

- Prohibition of export subsidies in bilateral trade and consideration of the export interests of the other party in any export subsidies on agricultural goods exported to third countries.
- Elimination of any future U.S. import controls. Elimination of Canada's import controls only when government support levels in the two countries for grains become equal. U.S. support levels for wheat are currently about $50-$60 per tonne higher. Canada can require end-user certificates to ensure that imported grain goes directly to processing and does not contaminate Canada's high quality export grains.





- Neither party can sell agricultural products into the other party's market at less than the acquisition cost.
- Elimination of tariffs.

3. Industry Reaction to the Agreement

- Producers believe the Agreement provides improved access to the U.S. market for wheat, malting barley, malt, flaxseed and canola oil.
- Producers generally recognize that the Agreement does not threaten the Canadian Wheat Board marketing system nor jeopardize the integrity of our grain export system. Some producers expressed concern that the removal of import controls would undermine the Canadian Wheat Board. Producers also recognize that the higher domestic wheat price will no longer be viable but want compensation for the resulting income loss. Producers want assurance that the federal government will compensate producers and that payments will be made separate from the deficiency payment program and based on wheat marketed. (The federal government has already made this commitment and will consult with producers on the appropriate mechanism and basis of payment to producers.)

4. Impact Assessment

U.S. tariffs on grains and oilseeds are higher than Canadian tariffs. Tariff elimination will generally improve the competitiveness of grains and oilseeds in the U.S. market. Even with the elimination of Canadian import licenses on wheat, oats and barley, it is not expected that imports of U.S. grains will increase significantly. It is clear that when import controls are eliminated, Canada can no longer maintain the two-price system for wheat. However, the federal government has announced that producers will be compensated for the income loss. The end-user certificate mechanism can be used to prevent U.S. grain from entering Canada's transportation and marketing system.

The elimination of the Western Grain Transportation Act (WGTA) on shipments to the U.S. through western ports will not directly affect sales as most shipments of grains to the U.S. do not normally go through Vancouver. The agreement by the U.S. not to impose import restrictions in the future will provide greater security of access for grains and oilseeds. Initially the removal of the Crow Benefit will negatively affect exports through western ports of mill feeds and canola meal. This loss has to be weighed against the benefits of unrestricted access to U.S. markets and the elimination of U.S. tariffs over ten years.

B. Livestock

1. Initial Objectives of the Industry

- Eliminate remaining tariffs on livestock and meat products.
- Secure market access to the U.S., and identify and negotiate the end of major subsidies that distort trade.
- Avoid extension of U.S. countervailing duty from live hogs to processed pork.
- Harmonize health and border inspection standards to eliminate non-tariff barriers to trade while protecting public health.

2. **Elements of the Agreement which Impact on this Industry**
   - Elimination of tariffs and U.S. customs user fees.
   - Each country will be exempted from the other's Meat Import Laws for beef, veal and sheep.
   - Harmonized technical/health standards and border inspection procedures to reduce technical differences which interfere with trade.
   - The Agreement provides for a binational binding dispute settlement mechanism to ensure a fair and impartial application of anti-dumping and countervailing duties based on existing relevant Canadian and U.S. laws, respectively.
3. **Industry Reactions to the Agreement**
   - Livestock producers and meat processors support the Agreement as negotiated.
   - The industry is confident about its ability to compete in the U.S. market. In particular, beef exporters are pleased to be exempted from the application of the U.S. Meat Import Act.
   - The industry views elimination of tariffs and technical barriers as enhancing its access to U.S. markets.
4. **Impact Assessment**

   Tariff elimination and harmonization of technical standards are expected to provide increased and more secure access to the U.S. market. We could export an additional $24 million of livestock and meats by 1995.

   Mutual exemption for beef from Meat Import Laws will also secure market access and prevent disruption of trade flows.

   For pork, the removal of tariffs in January, 1989 will result in improved access to the U.S. market.

   Livestock and meat exports could still be subject to countervail actions under existing trade remedy laws, but the new bilateral appeal process is a marked improvement.

C. Poultry and Eggs

1. **Initial Objectives of the Industry**
   - Retain supply management systems.
   - Retain the concept of the family farm and avoid the vertically-integrated U.S. model.
2. **Elements of the Agreement which Impact on this Industry**
   - Elimination of tariffs.
   - Retention of Canada's import quotas for poultry, eggs and their products, but their levels increase to the actual average level of imports during the past five years.
3. **Industry Reactions to the Agreement**
   - Producers recognize that the supply management systems employed in the poultry and egg industries are not threatened by the Agreement.
   - However, producers expressed some concern about the management of the slightly increased global import quotas for poultry and eggs in combination with the elimination of tariffs on processed products that use these goods as inputs.

4. **Impact Assessment**

The Agreement does not affect the operation of Canada's supply management systems which are supported by import controls as long as they are consistent with GATT. Tariff reductions are not expected to affect the Saskatchewan industry. Import quotas will prevent increased competition from American imports. Finally, additional poultry-containing products can be placed under import controls if tariff reductions result in increased imports of those products which threaten supply management systems.

D. Dairy

1. **Initial Objectives of the Industry**
   - Retain supply management and import quota systems.
2. **Elements of the Agreement which Impact on this Industry**
   - Elimination of tariffs.
3. **Industry Reaction to the Agreement**
   - Producers acknowledge that the Agreement has met their objective to retain the supply management system for the dairy industry.
   - Producers are concerned about the loss of protection from U.S. imports of ice cream, yogurt and other processed dairy products when Canadian tariffs for these products are eliminated.
4. **Impact Assessment**

The Agreement does not affect the operation of Canada's supply management programs. The Agreement also does not affect Canadian or American import quotas on dairy products. Further, Canada has the ability to impose import quotas in the future on dairy products not now under quota (i.e. ice cream, yogurt), if imports of these products increase as a result of tariff reductions. The Government of Canada has announced that the process is now underway to place ice cream, yogurt and other processed dairy products under import controls.

E. Forestry and Wood Products

1. **Initial Objectives of the Industry**
   - Producers wanted this sector included in the negotiations.
   - Secure market access to the U.S..
   - Ensure access of the small, independent foresters to the provincial system of resource allocation.
   - Elimination of non-tariff barriers.
2. **Elements of the Agreement which Impact on this Industry**
   - Elimination of tariffs and U.S. customs user fees.
   - Exclusion of the 1986 Softwood Lumber Memorandum of Understanding.
   - New binding dispute settlement provisions for anti-dumping and countervail duties.
   - Provisions for the development of an improved and harmonized set of bilateral trade laws in both countries for anti-dumping and countervail actions.
   - Process to resolve the long-standing dispute surrounding Canadian and American plywood standards by January 1, 1989.

3. Industry Reaction to the Agreement

- Producers are generally supportive of tariff reductions, the new dispute settlement mechanism and the commitment to develop new trade rules.
- The softwood lumber industry is disappointed that the Agreement does not resolve the softwood lumber dispute or remove the 15 per cent export tax.
- Plywood producers are concerned that their products may not be competitive with U.S. C-D grade plywood if the Canada Mortgage and Housing Corporation (CMHC) accepts this material for use in Canada.

4. Impact Assessment

In the short term, the softwood lumber industry is not affected by the Agreement.

Over the longer term, the Agreement should benefit the softwood industry. The new binational dispute settlement process should de-politicize the countervail process and reduce the likelihood of shifting interpretation of existing national trade laws.

The tariff provisions, the phase-out of the customs user fees and the dispute settlement mechanism will improve the future prospects in the province's pulp and paper industry. Current assessment is that provincial exports to the U.S. will increase marginally by $1 million in 1994. However, this understates the potential benefits of a more stable trading and investment environment under the Agreement.

A decision by the CMHC that U.S. C-D grade plywood is an acceptable building material could seriously impact the viability of the Western Canadian plywood industry. However, the Agreement's transitional safeguard provisions would help moderate an inflow of this material.

F. Potash

1. Initial Objectives of the Industry

- Secure market access to the U.S..
- Address the problem of U.S. trade law harassment and non-tariff barriers so that trade disputes are settled in a more impartial manner.

2. Elements of the Agreement which Impact on this Industry

- Elimination of tariffs on imported equipment used in the mining of potash and the elimination of U.S. customs user fees.

- Agreement not to impose import or export restrictions on each other's goods and services.
- The new binational dispute settlement mechanism.
- Work toward new laws on anti-dumping and countervail over the next five to seven years.

3. Industry Reactions to the Agreement

- The industry is supportive of the deal.
- The industry views the establishment of a new dispute settlement process favourably, particularly given that private parties have guaranteed access to this procedure, albeit through the federal government.
- Potash producers believe the commitment to develop new anti-dumping rules will contribute to increased security of market access.

4. Impact Assessment

The Agreement will not affect the current potash anti-dumping trade action which is now suspended as a result of an agreement reached between Canadian potash producers and the U.S. Department of Commerce. However, if the suspension agreement is broken and the action leads to a final determination after January 1, 1989, either party could seek a review from the binational dispute settlement panel, whose decision would be final.

G. Uranium

1. Initial Objectives of the Industry

- Secure market access to the U.S. by removing U.S. restrictions on imports.
- Accept removal of Canadian rules on the further processing of exported uranium provided that secure access to the U.S. market is achieved.
- Deal with U.S trade law harassment and create an effective trade dispute mechanism.

2. Elements of the Agreement which Impact on this Industry

- Regarding energy trade in general, both sides agreed to prohibit restrictions on imports or exports, including quantitative restrictions, taxes, minimum import or export price requirements or any other equivalent measures except in the following situations:

  (a) prevention of short supply or exhaustion of a non-renewable energy resource, but only if the exporting party provides proportional access to the diminished supply and does not otherwise discriminate on price.

  (b) national security reasons as defined in the Agreement (which are tighter than is contained in the GATT and under U.S. law).

- More specifically, the Agreement contains the following provisions regarding uranium:
  - Canada agrees to remove the requirements of further processing of uranium before export.
  - The U.S. agrees to exempt Canada from any restrictions on foreign uranium under Section 161(v) of the Atomic Energy Act.
  - The new binational dispute settlement mechanism.

3. **Industry Reactions to the Agreement**

   - The industry is very supportive of the Agreement as it affects uranium.
   - The industry recognizes that Canada will exempt U.S.-destined uranium from its further processing policy in exchange for U.S. elimination of legislative restrictions on enrichment of uranium imported from Canada.
   - The sector is satisfied that future import restrictions by both countries have been prohibited except for reasons of national security, which have been strictly and narrowly defined in the Agreement.

4. **Impact Assessment**

   National treatment for Canadian uranium in the U.S. market is expected to increase Saskatchewan exports in the medium and longer term. In addition, the new dispute settlement mechanism and the commitment to produce new trade laws in five to seven years will likely secure market access and minimize the unpredictable use of U.S. trade law. The exemption from current U.S. restrictions and/or the proposed Domenici Bill will increase Saskatchewan's exports by $160 million, employment by 250 jobs and productive capacity by almost 60 per cent by 1995.

H. Oil and Gas and Related Industries

1. **Initial Objectives of the Industry**

   - The oil and gas industry wanted to secure the relatively free environment which currently exists in oil and natural gas trade between the two countries.
   - The oil and gas producers sought to improve the investment climate in the industry so as to attract the large amounts of capital required to develop western Canada's reserves.
   - The oil field services sector hoped that the negotiations would reduce, or remove, harassment at the border with respect to after-sales service personnel and harmonize federal construction and material codes.

2. **Elements of the Agreement which Impact on this Industry**

   - Elimination of tariffs and U.S. customs user fees.
   - Prohibitions on restrictions on imports, including quantitative restrictions, taxes, minimum import prices and other equivalent measures except in the case of national security, which is strictly defined in the Agreement.
   - Consultations on any energy regulatory actions which could directly result in discrimination that would be inconsistent with the principles of the Agreement.
   - Agreement by both parties to allow existing or future incentives for oil and gas exploration, development and related activities in order to maintain the reserve base for these energy resources.
   - Each country agrees not to impose a higher price for exports of energy to the other than the price charged for such energy consumed domestically. However, prices can vary for commercial reasons.
   - Any cutback in production due to a shortage of supply or resource conservation would not reduce the proportion of sales made available to the other party from its share during the most recent 36 month period.

3. Industry Reactions to the Agreement

- Oil, gas and related businesses have been very supportive of the terms of the Agreement affecting their industry.
- The oil field services industry will have easier access regarding temporary trans-border movement of personnel.
- Both countries provide the other with security of access in exchange for security of supply and have agreed to prohibit future restrictions on imports from, or exports to, the other party except under very restricted conditions.
- Despite the broad support by industry of the energy provisions of the Agreement, certain labour and other groups had concerns regarding the exact extent of U.S. access to Canada's energy resources, and that Canada would not be able to supply domestic consumers and industries with energy resources at prices below the world market level.

4. Impact Assessment

Security of market access will improve exports, improve investor confidence and promote job creation in both conventional and heavy oil and in natural gas. The Agreement will mean that both countries will no longer be able to provide a cheaper domestic price for oil (i.e. governments cannot implement a policy of charging a higher price on sales to the partner than on domestic sales of similar terms and conditions, though prices can vary for commercial reasons).

Further, any cutback in production due to a shortage of supply would have to respect the previous proportional access of the customers of the other party. The requirement that the Saskatchewan Power Corporation retain contracts for natural gas to maintain a 15 year supply is not affected.

The annual impact of removing existing trade barriers will be worth about a $4 million increase in Saskatchewan exports to the U.S..

The likelihood of the imposition of a U.S. oil import fee, with its adverse effects on oil trade flows, is removed. If, for example, the U.S. had imposed a $5 per barrel import fee on Canadian oil, the loss in Saskatchewan exports would have exceeded $140 million by 1995, and the loss of jobs could have reached 200. Canada, under this Agreement, would also be exempt from any resulting restrictions on oil imports as a result of the current Section 232 (national security) investigation of the U.S. oil and gas industry.

The Agreement does not undermine, in any way, provincial constitutional rights to develop, conserve and manage their resources and specifically, to control the rate of primary production.

Canada's long-standing commitment to increase oil exports to the U.S. and other International Energy Agreement partners in periods of international shortages overrides the Agreement's commitments regarding shared reduction in a time of short supply.

I. Advanced Technology

1. Initial Objectives of the Industry

- Enhanced access to the U.S. market through liberalized procurement practices, elimination of technical barriers, and liberalization of other import-restricting regulations.

- Preserve government's ability to support research and development.

2. **Elements of the Agreement which Impact on this Industry**
   - Elimination of tariffs.
   - Liberalization of federal procurement practices to cover a range of contracts over Cdn. $33,000.
   - Temporary labour access provisions which facilitate the sales of goods and services and after-sales services.
   - An attempt to make compatible federal standards for product approval and to avoid unnecessary obstacles to trade. The Agreement also provides for the mutual recognition of federal testing laboratories.
3. **Industry Reactions to the Agreement**
   - Industry reaction is favourable. Industry representatives are pleased with the temporary labour access provisions. In some product lines, the elimination of tariffs was considered a significant benefit. Generally, the industry feels capable of withstanding any additional import competition resulting from the elimination of Canadian tariffs.
   - Industry representatives recognized that although the Agreement relaxes federal procurement restrictions in the U.S., for many firms this was not seen to be a significant benefit. In particular, they asked if they would be able to bid on American research contracts.
   - The Agreement must not undermine the need for increased government funding for research and development.
4. **Impact Assessment**
   - Saskatchewan's advanced technology sector is currently very successful in accessing the American market. The elimination of tariffs should enhance this access. The temporary labour access provisions will help Saskatchewan firms make, and service, sales to their U.S. customers. Of the $4 billion worth of additional U.S. procurement opportunities, there are approximately $800 million worth of U.S. contracts which are related to advanced technology.

J. Steel

1. Initial Objectives of the Industry

- Secure access to the U.S. market and eliminate harassment through amendments to trade laws, such as replacing anti-dumping laws with competition laws.
- Maintain or increase employment and investment levels.

2. Elements of the Agreement which Impact on this Industry

- Elimination of tariffs and U.S. customs user fees.
- Establishment of rules of origin which prevent third country products entering through one partner in order to avoid the trade barriers of the other partner.
- The elimination of current and future quantitative restrictions.
- New dispute settlement provisions for countervail and anti-dumping cases and the commitment to establish new trade rules over a five to seven year period.
- The establishment of special provisions for safeguard actions.

3. Industry Reactions to the Agreement

- IPSCO has called for new anti-dumping rules ahead of the scheduled time period for the development of new trade laws.
- While recognizing the economic benefits of the Agreement to the provincial economy, IPSCO would have liked the dispute settlement panel process to be the first court and not the last court of appeal.
- IPSCO is pleased to see that third parties have access to the binding dispute settlement panel, albeit through the federal government.

4. Impact Assessment

Although Canadian tariffs are higher than U.S. tariffs, the elimination of tariffs should have a neutral effect on the Canadian steel industry because U.S. import demand is more price responsive than is Canadian import demand.

The quantitative restriction provisions of the Agreement will prevent the U.S. from imposing a formal Voluntary Restraint Agreement against Canadian steel. Although the elimination of quantitative restrictions will help preserve IPSCO's existing market share, this provision will not necessarily contribute to the significant enhancement of exports. The current sensitivity of the U.S. steel industry and an informal market sharing arrangement will limit exports of Canadian steel to the U.S..

Amendments to the safeguard laws (i.e. measures to curb fairly traded but injurious trade flows) should assist the Canadian steel industry. Any future U.S. safeguard actions will have to take into consideration Canadian export trends, and the remedy cannot drive Canadian exports below their trend level.

Finally, IPSCO should reap significant indirect benefits from the Agreement due to an increased level of activity in the Canadian oil and natural gas sector.

K. Agricultural Implements

1. Initial Objectives of the Industry

- Maintain the free trade environment that now exists.
- Elimination of remaining non-tariff barriers, such as restrictions on business personnel to perform cross-border after-sales service.

2. **Elements of the Agreement which Impact on this Industry**
   - Although most agricultural implements are currently traded duty free, tariffs remain on a few items such as various component parts and certain trailers. The Agreement will eliminate these tariffs.
   - The temporary labour access provisions will improve sales opportunities by facilitating after-sales service.
3. **Industry Reactions to the Agreement**
   - Producers of agricultural implements are generally supportive and see the U.S. as a large and growing market.
   - The industry is concerned that if the exchange rate were to appreciate significantly because of the Agreement, it would be put at a competitive disadvantage.
   - The industry is pleased with the temporary labour access provisions of the Agreement.
4. **Impact Assessment**

   The temporary labour access provisions should increase the effective access of Saskatchewan firms to the U.S. market.

   The tariff provisions of the Agreement are expected to improve the profitability of the agricultural implements sector through lower input prices. Nothing in the Agreement requires any change in the value of the exchange rate.

L. Grain Product Processors (Bakers, Millers and Pasta Makers)

1. **Initial Objectives of the Industry**
   - Preserve local markets and gain increased access to the U.S. market.
2. **Elements of the Agreement which Impact on this Industry**
   - Elimination of tariffs and U.S. customs user fees.
   - Elimination of import controls when grain support levels in each country are equivalent.
3. **Industry Reactions to the Agreement**
   - The industry was concerned that it will have difficulty competing if Canada continues its two-price policy for wheat.
4. **Impact Assessment**

   The Trade Agreement will have little impact on this sector until the level of support for wheat is equalized between the U.S. and Canada. At that time, Canada's two-price policy will have been eliminated so this sector should be able to withstand import competition. The Agreement should provide increased export opportunities for this sector.

M. Oilseed Crushing

1. Initial Objectives of Industry

- Secure existing access and enhance future access to the U.S. market.
- Remove the U.S. tariff on canola oil.

2. Elements of the Agreement which Impact on this Industry

Elimination of tariffs over ten years and elimination of U.S. customs user fees.

- Both parties have agreed not to use standards as a barrier to trade. In the past, U.S. labelling requirements have limited the access of Canadian canola oil. Under the Agreement, the U.S. accepts the use of the term "canola" oil.
- Secured access to U.S. markets. The U.S. has agreed not to impose quantitative restrictions unless there is a significant increase in exports caused by a substantial increase in government support levels.
- Elimination of WGTA subsidies on agricultural products shipped to the U.S. through western Canadian ports (i.e. Vancouver and Prince Rupert).

3. Industry Reactions to the Agreement

- Processors are concerned that the loss of WGTA on products shipped to the U.S. through Vancouver would make them uncompetitive in the Pacific Northwest. They would prefer that tariffs on millfeeds and canola oil and meal be eliminated at the same time as the removal of the WGTA benefit.

4. Impact Assessment

The major impact of the Agreement on this sector is the elimination of the WGTA transportation subsidy. Rail rates will probably increase by $37.00 (approximately 30 per cent of product value) per metric tonne for Saskatchewan products.

Currently, a relatively small volume of canola meal and even smaller amounts of canola oil are shipped to the U.S. through west coast ports.

The elimination of this transport subsidy may cause Saskatchewan oilseed crushers to lose some northwestern U.S. markets in the short run because the WGTA subsidy will be removed when the Agreement is implemented. However, producers should be able to recover these markets over the longer term as tariffs are eliminated. In effect, producers will receive guaranteed access to the U.S. market in exhange for the elimination of the WGTA transportation subsidy. Shipments through Thunder Bay will continue to receive WGTA support.

Accelerated tariff removal is permitted by the Agreement but requires the mutual agreement of both the Canadian and American industries. The Government of Saskatchewan is prepared to assist the industry to obtain the full removal of the relevant U.S. tariffs before 1998.

The viability of the Canadian oilseed crushing industry will depend not so much on the removal of trade barriers, but on additional market development and consumer acceptance of canola oil. Although the removal of trade barriers probably will not initiate additional exports immediately, they will nevertheless make it easier to market Canadian oilseed products in the United States over the medium term.

N. Other Manufacturing (Printing, Metal Fabrication, Commercial Trailers, Construction and Mining Equipment, Miscellaneous Manufacturing)

1. **Initial Objectives of the Industry**
   - Preserve local markets and gain increased access to the U.S..
2. **Elements of the Agreement which Impact on this Industry**
   - Elimination of tariffs and U.S. customs user fees.
   - Liberalization of federal procurement practices which lower the coverage of the GATT procurement code from contracts over Cdn. $238,000 to contracts over Cdn. $33,000. Provincial procurement is excluded from the terms of the Agreement.
   - Temporary labour access provisions which facilitate after-sales services.
   - The elimination of current and future quantitative restrictions.
   - New dispute settlement provisions for countervailing duty and anti-dumping cases.
3. **Industry Reactions to the Agreement**
   - Industry representatives are pleased with the temporary labour access provisions of the Agreement.
   - The industry is concerned that if the exchange rate were to appreciate significantly because of the Agreement, they would be put at a competitive disadvantage.
   - The industry is generally pleased with the provisions of the Agreement. Given the gradual elimination of tariffs, the industry believes it can withstand any increased import competition.
4. **Impact Assessment**

   For the most part, printed products are local, non-traded goods. Transportation costs are such that no American firm is located close enough to compete with the type of printed products produced in Saskatchewan.

   A current U.S. embargo on lottery material will be lifted on January 1, 1989. The removal of this embargo should be very beneficial to some Saskatchewan-based commercial printers.

   The temporary labour access provisions will facilitate the ability of domestic manufacturers to export into the U.S. market. Businesses should now be able to build, or improve, their reputation in the U.S. because they will face fewer restraints in terms of servicing products which have been sold to American customers.

   The exclusion of provincial procurement contracts from the Agreement protects the local market of many provincial companies.

O. Services

1. **Initial Objectives of the Industry**
   - To determine how an Agreement might address trade in services.
   - To protect existing services markets and to achieve greater access to U.S. markets.
   - To address interprovincial trade barriers for some services before negotiating a bilateral trade agreement.

2. **Elements of the Agreement with Impact on this Industry**
   - The agreement in services sets out a services code respecting future government actions which incorporates the principles of national treatment and right of establishment. However, the Agreement does not affect existing laws and regulations.
   - Temporary labour access provisions.
   - Harmonization of federal technical standards.
3. **Industry Reactions to the Agreement**
   - Most providers of tradeable services are supportive of the Agreement, including insurance, computer software, tourism, architecture, accounting and engineering.
   - The trucking industry identified concerns over current limited access to trucking in the U.S., while U.S. competition in Canada may increase. However, the final text of the Agreement excludes transportation services.
   - For the most part, providers of tradeable services believe they are not directly affected by the Agreement, but will benefit from the increased level of general economic activity resulting from the Agreement.
   - All service providers expressed support for the inclusion of the temporary access clause in the Agreement.
4. **Impact Assessment**

   The grandfathering provisions of the services code ensure that existing rules, regulations and legislation governing trade in services, whether or not trade distorting, remain in place. Therefore, providers of services will generally be operating under the conditions that presently exist.

   Future changes to rules, regulations, and legislation for covered services must not be any more discriminatory towards the other country than they are at present. Any new laws or regulations for covered services will have to conform fully to the new services code that incorporates the principles of national treatment and the right of establishment or commercial presence. Even in the future, however, governments can treat domestic and foreign service providers differently if the treatment is justified on such grounds as consumer protection.

   Culture, basic telecommunications, legal services, government health and education services, and transportation services are exempt from the Agreement.

   With respect to health services, the use of private health care facilities management services is permissible under the Agreement. However, as is the case with all other services, access provided to this type of service is no greater under the terms of the Agreement than is currently provided for by respective provincial governments.

   The ability of telecommunications companies to continue to provide services in a monopoly environment is not compromised by the Agreement. Similarly, the right to maintain the public monopoly in basic automobile insurance is preserved. However, monopolies will not be permitted to benefit from cross-subsidization practices. For instance, Saskatchewan Government Insurance could not use funds from its basic automobile insurance service to cross-subsidize its general insurance business which is a tradeable service in a competitive market.

Sectoral annexes covering tourism, architecture and enhanced telecommunications and computer services identify, in greater detail, how the principles of the new services code will be applied to these specific service sectors. The annex on architectural services provides an agreement for developing mutually acceptable professional standards and the mutual recognition by the respective licensing authorities. This model agreement for professional architects could serve as a blueprint for similar agreements in the future should other professional associations in both countries request them.

Disputes in the services sector will be resolved under the new binational dispute settlement mechanism.

Finally, temporary labour access provisions in the Agreement allow for temporary entry into the U.S. for business persons, as defined in the Agreement, including business visitors such as sales and after-sales service personnel, traders and investors and professionals to engage in business or professional activities in a supervisory, executive or essential skill capacity. Temporary entry means entry to the other country without the intent to establish permanent residence.

P. Financial Services

1. Elements of the Agreement which Impact on this Industry

- The section on financial services addresses the liberalization of the financial services sector on both sides of the border, including building on the access Canadian financial institutions presently have in the U.S..
- Canada, too, will remove various barriers to the activities of American financial institutions in Canada.

2. Industry Reactions to the Agreement

- Most financial service providers, including banks, securities firms and credit unions, are supportive of the Agreement.
- The chartered banks, while supporting the Agreement, have expressed concern that the Agreement gives U.S. banks improved access to the Canadian market immediately, while Canadian banks have more long term benefits, but little benefits in the near term. They recognize this concern could be alleviated in 1988 if current U.S. proposals to reform their financial rules become law.
- Securities firms indicated that their industry is currently involved in a process of deregulation that began before the Agreement. They are, therefore, basically unaffected by the terms of the Agreement.

3. Impact Assessment

The Agreement does not affect current provincial rules, regulations and legislation regarding financial services.

The Agreement will enable Canadian chartered banks to underwrite and deal in Canadian federal, provincial and municipal government securities in the U.S.. Current privileges permitted to Canadian banks operating in more than one state will be grandfathered. Only some U.S. banks currently have such privileges. Canadian financial institutions will receive the same treatment as that accorded to U.S. financial institutions with respect to potential amendments to the Glass-Steagall Act.

Finally, disputes arising in the financial services sector will not be resolved in the new dispute settlement process, but will continue to be addressed on a consultative basis only.

Q. Labour

1. Initial Objectives of the Sector

- Sought negotiations for managed sectoral free trade agreements rather than negotiations leading to a comprehensive trade agreement with the U.S..
- To ensure that any agreement would not mean: a loss of jobs; the closure of American branch plants; lower wages and benefits; a flood of inexpensive U.S. imports; lower labour, safety and environmental standards; lower health and social service levels; excessive government privatization and deregulation; and reduced public support for cultural organizations.

2. Labour Reactions to the Agreement

- Labour concerns about the Agreement are both economic (job loss, lower wages, less benefits) and non-economic (loss of Canadian sovereignty, ability to deliver social programs, etc.).
- Critics of the Agreement contend that Canada's distinct social, political and cultural institutions and policies will be progressively forced to conform to a less attractive, more market-driven U.S. system.
- Most labour groups expressed concern about job dislocation, particularly in the manufacturing sector. While some labour groups in the resource sector recognized the Agreement as beneficial for their own sectors, they remained concerned about its broader, non-economic implications.

3. Impact Assessment

The key concern of labour groups was job loss and job dislocation. From the national perspective, the government of Canada recently announced the establishment of the Advisory Council on Adjustment. The purpose of the Council is to advise the federal government on the effectiveness of existing programs. It will also examine how workers and firms will be able to take full advantage of all opportunities made available by the Agreement.

From the Saskatchewan perspective, there will be increased job opportunities in most industry sectors, including livestock, forestry and wood products, potash, uranium, oil and gas, advanced technology, steel and services. Job opportunities are likely to be unchanged as a result of the Agreement in the dairy, poultry, brewery, agricultural implements and food processing sectors. The government has not identified any sector of the provincial economy where job opportunities will be reduced as a result of the Agreement.

The Agreement, as negotiated, will likely result in Canadian subsidiaries of U.S. firms moving away from producing small amounts of a wide variety of goods for the Canadian market to producing larger amounts of fewer goods in a highly efficient manner for sale in the domestic, U.S. and other export markets.

The Agreement per se does not provide for the harmonization of political, foreign, economic, social and cultural policies and programs. Indeed, the Agreement clearly leaves these policies and programs untouched. However, it does establish rules that will govern trade in goods and services and investment with the objective of reducing tariff and non-tariff barriers to liberalized trade.

R. Cultural Industries

1. **Initial Objectives of the Industry**
   - Cultural industries, institutions and organizations should be excluded from any negotiations leading to a comprehensive agreement with the U.S..
2. **Elements of the Agreement which Impact on this Industry**
   - Cultural industries are exempt from the terms of the Agreement. Governments can take any actions necessary to preserve or enhance cultural industries as defined in the Agreement.
   - If a country implements a program or policy with respect to a cultural industry that is deemed to injure the economic interests of the other country, the offended country retains its rights to take measures of equivalent commercial effect in response.
   - Copyright protection for producers of broadcast material re-transmitted by cable.
   - Removal of the "print in Canada" requirement for eligible advertising expenses which can be deducted for income tax purposes.
3. **Industry Reactions to the Agreement**
   - Remain concerned about the clear lack of distinction between cultural and economic activity.
   - Believe the elimination of differential postal rates will harm the Canadian publishing industry. (While this provision was included in the October Elements of the Agreement, it was excluded from the final legal text.)
   - Believe that the "notwithstanding" clause in the chapter on cultural industries in effect negates the claims that cultural industries are exempt from the Agreement.
   - Remain skeptical regarding future financial support from government.
4. **Impact Assessment**

   Experience with trade liberalization among countries which belong to various regional free trade and consumer market arrangements has not resulted in any harmonization of social policies or any loss of cultural or national identity.

   However, cultural industries (film and video, music and sound recording, publishing, cable transmission and broadcasting) are exempt from the terms of the Agreement. All federal, provincial and state governments maintain freedom of action in introducing any type of measure, including subsidies, tariffs or other normally discriminatory actions in order to maintain or enhance the cultural sector. Further, all present restrictions on foreign investment in the cultural sector remain intact.

S. Consumer and Women's Groups

1. **Initial Objectives of the Sector**
   - Reduce the cost of goods and services while increasing the standard of living of Canadians.
   - Retain Canada's higher standards for health, safety and product testing.
   - Prevent job losses for women.
   - Assure our Canadian identity and social programs are not negotiated away.

2. **Sector Reactions to the Agreement**

   - Consumer groups believe that the elimination of tariffs will reduce the cost of goods, and increase the range of lower-priced goods available to consumers.
   - Consumer groups support the retention of federal standards where their purpose is to protect health and safety, environmental, national security and consumer interests.
   - Women's groups expressed concern over job losses for women in industries which are now protected by high Canadian tariffs, including clothing, textiles and footwear. They suggested that retaining jobs in Canada could lead to lower wages through increased competition from U.S. firms.

3. **Impact Assessment**

   Canadian consumers will save between $200 and $250 per year when the Agreement is fully in place in 1998, even after the federal government offsets tariff revenue losses with increases in other taxes.

   It is unlikely that women will fare better or worse than men with respect to opportunities as a result of the Agreement. The government believes the Agreement will benefit all sectors of the economy and, as women participate in all sectors of the economy, increased job opportunities will occur for both men and women in the Canadian work force. Further, businessmen and businesswomen can expect increased opportunities for small businesses, particularly in the light manufacturing, high technology and services sectors, as a result of the Agreement.

Conclusion

The Canada-U.S. Free Trade Agreement is a commercial agreement which removes all remaining tariffs on the two-way trade of Canadian and U.S. goods over a ten year period. More importantly, it establishes, for the first time, a set of jointly-determined rules and institutions to govern trade and investment between our two countries. The rules are both fair and predictable, and cannot be changed unilaterally.

The Agreement protects the markets we already have for our traditional exports to the U.S. and the jobs in those industries. In addition, it provides the certainty of market access investors require in order to build and develop new products for export. For example, the removal of the relatively high U.S. tariff on value-added goods will make it easier for the further processing of our raw materials to take place in Saskatchewan. But without certainty of access to the U.S. market for Canadian exports, such processing activity could still remain in the U.S..

By providing Canadian firms preferential access to the world's largest single market, our industries can specialize their production and thus compete not only in Canada and the U.S. but internationally as well. Estimates of the benefits for each Canadian consumer are in the range of $200-$250 per year once all tariffs are removed.

The benefits to Saskatchewan go far beyond savings to consumers. Our oil and natural gas, livestock and meat processing, and uranium industries are major beneficiaries from the Agreement. There are also significant gains for our potash, forestry and forest products, and light manufacturing sectors.

While there are many winners from this Agreement in Saskatchewan, our analysis has concluded that there are no obvious losers in the province as a result of the Agreement. Those industries which could have been negatively affected, such as breweries, poultry, egg and dairy sectors have been protected in the Agreement.

Those institutions, policies and programs that Canadians consider essential for preserving our national identity and sovereignty were protected in, or exempted from, the Agreement: e.g. health care, unemployment insurance, social services, regional development, immigration and culture. Furthermore, existing limitations on foreign investment in such areas as culture, telecommunications, air transport, energy and agricultural land ownership have been preserved.

In conclusion, the Agreement does not remove each and every theoretical barrier to Canada-U.S. trade. That would have been impractical and unacceptable to both countries. However, it is a fair agreement of significant benefit to both countries and represents a very real and substantial improvement over the status quo. Finally, the Agreement is not static. It contains provisions for further improvements in the future as both governments agree.

As an example of what can be achieved by the two partners of the largest trading relationship in the world, the Agreement may well serve as a model for current and future international trade liberalization through the GATT.

Appendix I
Glossary of Trade Related Terms

Term	Definition
Adjustment	The ongoing process by which the economy declines or renews and adjusts to changing circumstances. Among the factors which influence the scope and pace of adjustment are changes in technology and productivity, trade liberalization, consumer taste, resource exhaustion, and the changing composition of the labour force.
Adjustment Assistance	Financial, training and re-employment assistance to workers and technical assistance to firms and industries to help them cope with adjustment difficulties arising from increased import competition. Adjustment assistance can also be designed to facilitate structural shifts of resources from less productive to more productive industries, contributing further to greater economic efficiency and improved standards of living.
Anti-dumping Code	A code of conduct negotiated under the auspices of GATT during the Kennedy and Tokyo Rounds of the MTN that established both substantive and procedural standards for national anti-dumping proceedings.
Anti-dumping	Additional duties imposed by an importing country in instances where imports are priced at less than the "normal" price charged in the exporter's domestic market and are causing material injury to domestic industry in the importing country.
Auto Pact	A sectoral trade agreement entered into by the United States and Canada in 1965 in order to encourage the rationalization and growth of the North American auto industry. It provides for duty-free movement between the two countries of new automobiles and original equipment parts. In the case of Canada, only participating firms are allowed to import duty-free.
Binding	Concept of agreeing to maintain a particular tariff level or other trade restrictions (i.e. binding it against increase or change). In trade negotiations, binding a tariff is considered equivalent to a significant reduction in the level. The industrialized countries have virtually bound all their tariffs on industrial products in seven rounds of GATT negotiations.
Commercial Presence	Trade in services concept; presence that a national of one country must have in another in order to complete a service transaction, such as a branch office staffed by local staff. Concept falls short of right of establishment.
Contingency Protection	Collective term referring to anti-dumping and countervailing duties and safeguards.
Countervailing	Additional duties imposed by the importing country to offset government subsidies in the exporting country, when the subsidized imports cause material injury to domestic industry in the importing country.

Cultural Sovereignty	A term coined by nationalists and producers of cultural products to describe the state where domestically-produced cultural products, such as books, films, magazines and TV programs have sufficient access to their home market to ensure that national values are not supplanted by foreign values.
Customs Harmonization	International efforts to increase the uniformity of customs nomenclatures and procedures in cooperating countries. The international Customs Cooperation Council has been seeking, since 1970, to develop an up-to-date and internationally accepted "Harmonized Commodity Coding and Description System" for classifying goods for customs, statistical and other purposes.
Dispute Settlement	Those institutional provisions in a trade agreement which provide the means by which differences of view between the parties can be settled.
Domestic Content Requirements	A requirement that firms selling a particular product within a particular country must use, as a certain percentage of their inputs, goods produced within that country.
Dumping	The sale of an imported commodity at a price lower than that at which it is sold within the exporting country or to third countries. Dumping is generally recognized as an unfair trade practice that can disrupt markets and injure producers of competitive products in the importing country.
Duty	See Tariff.
Duty Remission	Import duties or taxes repaid by a government, in whole or in part, to a particular company or industry contingent upon exports manufactured in the importing country or similar performance requirements, usually on imports of components, parts or products to complete a product line.
Escape Clause	A provision in a bilateral or multilateral commercial agreement permitting a signatory nation to suspend tariff or other concessions when imports threaten serious harm to the producers of competitive domestic goods. (See Safeguards)
Establishment	One of the basic principles which comprise national treatment for investors. Right of establishment involves providing foreign investors the right to establish new businesses on the same basis as nationals.
Export Quotas	Specific restrictions or ceilings imposed by an exporting country on the value or volume of certain imports, designed to protect domestic producers and consumers from temporary shortages of the goods affected so to bolster their price in world markets.
Export Restraints	Quantitative restrictions imposed by exporting countries to limit exports to specified foreign markets, usually pursuant to a formal or informal agreement concluded at the request of the importing countries.

Export Subsidies	Government payments or other financially quantifiable benefits to domestic producers or exporters contingent on the export of their goods or services. GATT Article XVI recognizes that subsidies in general, and especially export subsidies, distort normal commercial activities and hinder the achievement of GATT objectives.
Free Trade	An economic concept, used for analytical purposes, to denote trade unfettered by government-imposed trade restrictions; also used as a general term to denote the end result of a process of trade liberalization. Free trade is also used as the comparative term to denote circumstances between current practice and the achievement of free trade.
Free Trade Area	A cooperative arrangement among two or more nations which agree to remove substantially all tariff and non-tariff barriers to trade with each other, while each maintains its non-tariff barriers and differing schedule of tariffs applying to all other nations.
Free Trade Zone	An area within a country (a seaport, airport, warehouse or any designated area) regarded as being outside its customs territory. Importers may therefore bring goods of foreign origin into such an area without paying customs duties and taxes, pending their eventual processing, trans-shipment or re-exportation.
GATT	The General Agreement on Tariffs and Trade is an international treaty, signed by 23 countries, including Canada and the U.S., in 1947. It is now subscribed to by 95 countries, which together account for more than four-fifths of world trade. The primary objective of the GATT is to liberalize world trade and place it on a secure basis, thereby contributing to global economic growth and development. GATT meets this objective through providing members with: (a) a common set of rules for the conduct of trade, which constrain and discipline the trade policies and practices of member countries; (b) a framework for the liberalization of world trade through negotiations aimed at lowering tariffs and prohibiting or controlling the use of non-tariff measures; and (c) facilities and agreed procedures for the resolution of trade disputes among its member countries.
Government Procurement	The term refers to purchases of goods and services by official government agencies. As a non-tariff barrier to trade, it refers to discriminatory purchases from domestic suppliers, even when imported goods are more competitive.
Grandfather Clause	A GATT provision that allowed the original contracting parties to accept general GATT obligations despite the fact that some existing domestic legislation was otherwise inconsistent wtih GATT provisions. More generally, any clause in an agreement which provides that certain existing programs, practices and policies are exempt from an obligation.
Import Quotas	See Quantitative Restrictions.

Injury	The term used in international commerce to describe the effect on domestic producers of a decline in output, lost sales, decline in market share, reduced profits and return on investment, reduced capacity utilization, etc., as a result of import competition. A distinction is often made between serious injury (required for emergency safeguard measures) and materal injury (required for anti-dumping and countervailing duty).
Macroeconomic Policy	Policy geared towards influencing the overall aggregates of the economy, such as employment, production, and the rate of inflation, through measures affecting the fiscal balance and the supply of money and credit.
Market Access	Availability of a national market to exporting countries (i.e. reflecting a government's willingness to permit imports to compete relatively unimpeded with similar domestically produced goods).
Multilateral Trade Negotiations (MTN)	Seven Rounds of Multilateral Trade Negotiations have been held under the auspices of GATT since 1947. Each Round represented a discrete and lengthy series of interacting bargaining sessions among the participating Contracting Parties in search of mutually beneficial agreements looking toward the reduction of barriers to world trade.
National Treatment	This expression refers to the extension to imported goods of a treatment no less favourable than that accorded to domestic products with respect to internal taxes, laws, regulations and requirements. GATT members are obliged to accord to one another "national treatment" with respect to internal measures that can affect trade.
Non-tariff Barriers or Measures	Government measures or policies other than tariffs which restrict or distort international trade. Examples include import quotas, discriminatory government procurement practices and measures to protect intellectual property.
Protectionism	The deliberate use or encouragement of restrictions on imports to enable relatively inefficient domestic producers to compete successfully with foreign producers.
Quantitative Restrictions (QRs)	Explicit limits or quotas, on the physical amounts of particular commodities that can be imported or exported during a specified time period, usually measured by volume but sometimes by value. GATT Article XI generally prohibits the use of quantitative restrictions, except under conditions specified by other GATT articles.
Quota	A limit of the quantity of a product that may be imported by (or sold to) a country. Import quotas are enforced by the receiving nation, export quotas by the country of origin.

Retaliation	Action taken by a country to restrain its imports from a country that has increased a tariff or imposed other measures that adversely affect its exports in a manner inconsistent with GATT. The GATT, in certain circumstances, permits such reprisal, although this has very rarely been practised.
Rules of Origin	The term for the set of measures used to differentiate between goods originating in one country from those in another for the purpose of the application of trade measures such as tariffs. Such rules are very important for countries which are members of a free trade area.
Safeguards	The term, safeguards, refers to emergency actions in the form of additional duties or import quotas applied to fairly traded imports which nevertheless cause or threaten serious injury to domestic producers.
Sectoral Trade Agreement	A trade agreement limited in its application to a particular group of related products comprising a sector. The Auto Pact is an example of a bilateral sectoral agreement and the GATT Aircraft Agreement is an example of a multilateral sectoral agreement.
Services	Economic activities the result of which is the provision of services rather than goods. It is the fastest growing area of economic activity in Canada. Two-thirds of working Canadians are now employed in the service sector. Trade in services takes place when a service is exported from a supplier nation to another nation, such as an international air flight, the extension of credit or the design of a bridge.
Specific Duty or Tariff	An import tax set at a fixed amount per unit of measure regardless of the value of the item imported.
Standards	A standard is a technical specification contained in a document that lays down characteristics of a product such as levels of quality, performance, safety or dimensions. It may include, or deal exclusively with terminology, symbols, testing and test methods, packaging, marketing or labelling requirements as they apply to a product.
Subsidies Code	A code of conduct negotiated during the Tokyo Round of the MTN that expanded on GATT Article VI by establishing both substantive and procedural standards for national countervailing duty proceedings as well as developing obligations under GATT Articles XVI and XXIII regarding notification and dispute settlement in the area of subsidy practices.
Subsidy	An economic benefit granted by a government to producers of goods often to strengthen their competitive position. The subsidy may be direct (a cash grant) or indirect (low-interest export credits guaranteed by a government agency, for example).
Tariff	A duty (or tax) levied upon goods transported from one customs area to another. Tariffs raise the prices of imported goods, thus making them less competitive within the market of the importing country.

Transitional Measures	Those measures in place for a limited period of time during which a new trade agreement is gradually implemented. The Tokyo Round tariff cuts, for example, are being phased in over a period of eight years. Other transitional measures could include, for example, the right to take certain temporary safeguard measures or apply adjustment assistance measures.
Unfair Trade	An American term used to describe trade in dumped, subsidized or counterfeit goods; the application of the term has steadily widened as U.S. trade remedy laws have defined new practices which are considered to harm the export and import interests of U.S. companies.
Valuation	The appraisal of the worth of imported goods by customs officials for the purpose of determining the amount of duty payable in the importing country.
Voluntary Restraints (VRAs)/Voluntary Export Restraints (VERs)	Informal arrangements through which exporters voluntarily restrain certain exports, or usually through export quotas, to avoid economic dislocation in an importing country, and to avert the possible imposition of mandatory import restrictions. Such arrangements do not normally entail "compensation" for the exporting country.

Appendix II
Saskatchewan Public Consultations on Trade Negotiations August, 1986

Date	Location	Attendees
August 6	Prince Albert	Weyerhaeuser Canada Ltd. Saskatchewan Council of Independent Forest Industries
August 7	Prince Albert	Saskatchewan Forestry Association International Woodworkers of America Canadian Paperworkers Union
August 13	Yorkton	Prairie Implement Manufacturers Association and Morris Rodweeder Ltd. Plains Poultry Ltd.
August 14	Swift Current	Saskatchewan Stockgrowers Association Canadian Western Agribition Saskatchewan Egg Producers Marketing Board
August 19	Saskatoon	BDM Information Systems Petroleum Services Association of Canada SED Systems Saskatchewan Advanced Technology Management Association Biostar Professor A. Schmitz, University of Saskatchewan
August 20	Saskatoon	Canada West Foundation Consumers Association of Saskatchewan United Steelworkers of America Canadian Union of Public Employees Saskatchewan Feed Manufacturers Association Saskatchewan Pork Producers Marketing Board Citizens Concerned About Free Trade
August 21	Saskatoon	Saskatchewan Mining Association Saskatchewan Potash Producers Association Kalium Chemicals Flexi-Coil Council of Canadians National Farmers Union
August 22	Saskatoon	Intercontinental Packers Insurance Agents Association of Saskatchewan Saskatchewan Trucking Association Federated Cooperatives Ltd.
August 25	Regina	Saskatchewan Advisory Council on the Status of Women Saskatchewan Chamber of Commerce Saskatchewan Association of Rural Municipalities Professor Ed Weymes, University of Regina

August 26	Regina	Canadian Manufacturing Association Saskatchewan Urban Municipalities Association Saskatchewan Construction Association Association of Consulting Engineers Saskatchewan Brewers Association Saskatchewan Council of Cultural Organizations
August 27	Regina	Saskatchean Dairy Producers Cooperative IPSCO Saskatchewan Milk Producers ACTRA Public Service Alliance of Canada Family Farm Foundation
August 28	Regina	Western Canada Grain Growers Association Saskatchewan Wheat Pool United Grain Growers Ltd. Sid's Sunflower Seeds Saskatchewan Canola Growers Association
August 29	Regina	Saskatchewan Federation of Labour Saskatchewan Action Committee - Status of Women Saskatchewan Indian Agricultural Program Professor John Warnock, University of Regina

Appendix III
Sectoral Free Trade Consultations
Fall, 1987

Date	Location	Sector
October 21	Saskatoon	Uranium
October 21	Swift Current	Oil Technical Services
October 23	Prince Albert	Forestry
October 26	Saskatoon	Breweries
October 28	Saskatoon	Business Leaders
October 28	Saskatoon	University
October 29	Regina	University
October 30	Regina	Trade Unions/Labour Organizations
November 2	Regina	Manufacturing
November 2	Yorkton	Agriculture (Dairy, Poultry and Eggs)
November 3	Estevan	Oil Technical Services
November 4	Lloydminster	Oil Technical Services
November 5	Regina	Agriculture (Grains)
November 9	Kindersley	Oil and Gas
November 9	Saskatoon	High-tech
November 10	Regina	Consumers
November 18	Saskatoon	Potash
November 18	Saskatoon	Culture
November 20	Regina	Services/Financial Institutions
November 23	Regina	Agriculture (Livestock/Red Meat)

Appendix IV
Town Hall Meetings
(as of March 1, 1988)

Date	Location
November 16, 1987	Assiniboia
November 17, 1987	Moosomin
November 17, 1987	Esterhazy
November 18, 1987	Rosthern
November 19, 1987	Canora
November 19, 1987	Yorkton
November 19, 1987	Prince Albert
November 20, 1987	Melville
November 23, 1987	Estevan
November 24, 1987	Kindersley
November 25, 1987	Weyburn
November 26, 1987	Swift Current
November 30, 1987	Lumsden
December 1, 1987	Meadow Lake
December 3, 1987	Fort Qu'Appelle
December 7, 1987	Maple Creek
December 8, 1987	Shaunavon
December 8, 1987	Saskatoon - Board of Trade
December 8, 1987	Tisdale
December 9, 1987	Nipawin
December 10, 1987	Melfort
December 14, 1987	Regina
January 12, 1988	Saskatoon
January 13, 1988	Eston
January 21, 1988	Indian Head
January 25, 1988	Moose Jaw
January 26, 1988	Carlyle
February 1, 1988	North Battleford
February 3, 1988	Kelvington
February 4, 1988	Kamsack
February 8, 1988	Unity
February 9, 1988	Wynyard
February 10, 1988	Humboldt
February 18, 1988	Shellbrook
March 1, 1988	Biggar

Saskatchewan Trade Negotiations Secretariat

Hon. Bob Andrew
Minister

BRIGDENS